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February 24, 2009

Members of the United States House of Representatives:

On behalf of the Credit Union National Association (CUNA), I am writing regarding H.R. 1106, the Helping Families Save Their Homes Act, which the House is expected to consider later this week. CUNA represents 90% of the nearly 8,200 credit unions and their 90 million members.

Helping Families Save Their Homes

Credit unions are fully committed to serving their members as we all weather the financial crisis. Even though we did not engage in the type of lending that caused this crisis, credit unions have been working with their members who may have received a bad loan from another lender or whose life circumstances have changed in such a manner that they are having difficulty keeping up with their credit union mortgage. Because credit unions keep nearly three quarters of all mortgages in portfolio, they have more flexibility in working with their members. In fact, in a recent survey of credit union executives, the vast majority of respondents indicated that they are pro-actively offering services aimed at preventing foreclosures including loan payment deferrals, extension of maturities and reduction of interest rates, among other things.

Title II of H.R. 1106 contains a number of provisions that will help families stay in their homes, including improvements to the Hope for Homeowners program and a safe harbor for lenders that modify certain types of mortgages.

The bill also includes language that makes permanent the $250,000 deposit insurance limit enacted on a temporary basis in October as part of the *Emergency Economic Stabilization Act*, as well as language which would allow the National Credit Union Administration (NCUA) as much as five years to replenish the National Credit Union Share Insurance Fund (NCUSIF) when the fund drops below the statutorily required level. CUNA supports these provisions; however, we cannot support the remainder of the bill. Therefore, we encourage the House to consider these provisions separately from the cramdown provisions in Title I.

Mortgage Cramdown

Since late 2007, when the subprime mortgage crisis developed, credit unions have recognized the need for Congress to take steps to try to keep people in their homes. In fact, credit unions were the first group of mortgage lenders to be open to legislation that would provide limited loan modifications in bankruptcy. We have worked since that time to ensure that this legislation be targeted to the mortgages that have caused the problem, and limited to address the crisis at hand.

CUNA acknowledges bankruptcy as a legitimate option for eligible borrowers who have no other way to address their indebtedness. Yet, we believe that the Bankruptcy Code must fairly balance the rights of both credit grantors and borrowers, and it must recognize the impact that bankruptcy has on the cost of credit to borrowers who do have the ability and determination to repay their obligations. Title I of H.R. 1106 does not meet this test.

CUNA opposes the cramdown provisions because they are overly broad in their scope, application and duration. We encourage Members to consider amendments that would limit the application of the bill to the subprime and nontraditional mortgages that caused this crisis and that would provide a firm sunset on the authority conveyed to the bankruptcy courts through this legislation. We would also encourage modifications permitting lenders to share in the appreciation of a crammed-down mortgage even after the expiration of the bankruptcy covenant.

Last week, President Obama announced a major housing initiative that included asking Congress to pass mortgage cramdown legislation. The President's plan is a more targeted approach that focuses on the use of bankruptcy as the borrower's last option. A lender that made a mortgage loan using good underwriting standards should not bear the risk of a decline in the house's value. The adoption of a broad amendment could result in a number of bankruptcy filings by people who are capable of paying their current mortgages. We have already heard from several of our member credit unions about borrowers who are not even delinquent on their mortgage loans and who have not lost their jobs, suddenly stopping payments and triggering foreclosure because they just no longer want to make large mortgage payments on houses which have dropped notably in value. The cramdown provisions in H.R. 1106 will only serve to exacerbate this phenomenon.

While we strongly support the provisions of Title II of H.R. 1106, we must strongly oppose the provisions of Title I of the bill. And, we continue to hope to work with you to narrow the scope, application and duration of the cramdown provisions. On behalf of America's credit unions, we appreciate your consideration of our views.

Sincerely,

Daniel A. Mica
President and CEO