

income. An eligible member will be able to spend more on a house or get more house for the money. And, because of the interest rate caps built into the program, members won't get in over their heads. That means qualified borrowers can afford 70% more mortgage than with a regular, market-rate loan.

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For starters, your payment won't increase dramatically in six months like some interest-only ARMs do now. Exotic loan programs often

qualify some home buyers into homes that they probably can't afford—and may risk losing—along with the potential to experience serious damage to credit standings. An example is the interest-only adjustable-rate loan. The payment is only for interest for the first several years—the payment is much lower than a standard mortgage because there's no principal payment. Some of these loans are ARMs with a very short initial adjustment period, as few as six months.

In contrast, a HLPR loan has a low initial rate, a three-year initial fixed-rate period, a one percentage point annual cap on rate increases, and a five percentage point lifetime cap. These factors all work to minimize future payment shocks to the borrower.



OK, so how can the credit union afford to do this?

We're willing to "eat the cost" to help part of our membership. This is part of our mission—people helping people. Many credit unions that make mortgage loans already have other programs to help lower income, first-time home buyers. The HLPR mortgage is a variation with some unique aspects.

We can't provide more affordable housing, but we can reduce monthly payments for some borrowers to qualify.

Service to our community has always been part of the credit union mission. The Credit Union HLPR Mortgage Program is another way we demonstrate it. Talk to a loan officer for more information.

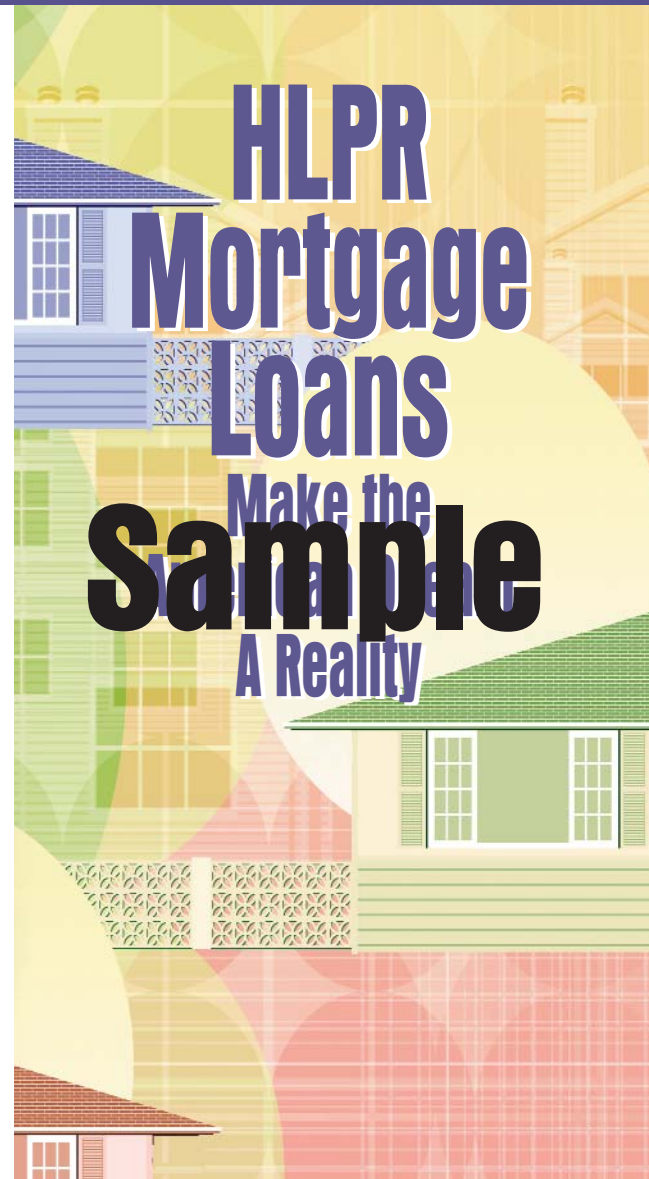


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HLPR Mortgage Loans

Make the American Dream a Reality
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Credit unions are founded on the belief that people are worth more than money. Our below-market-interest-rate mortgage program for people of modest means is just another way to show you that commitment.

To help people of modest means buy a house, many credit unions are offering the Home Loan Payment Alternative (HLPR) or Home Loan Payment Program. The program allows borrowers to pay a mortgage at a below-market rate with household income that is typically below the market.

"Owning your own home is part of the American dream, and for too many low- and moderate-income families, it's becoming increasingly hard to reach," says Dan Mica, Credit Union National Association's president and CEO. "The gap between the incomes of average families and the affordability of a first home is a problem. Credit unions believe the HLPR mortgage is an innovative solution that will narrow the gap."

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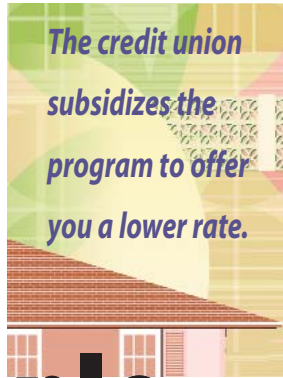
How it works

The HLPR program reduces mortgage costs and increases eligibility to credit union members of

modest means hoping to buy a house. This increases members' opportunities to purchase a home and begin to build wealth as the equity in their homes accumulates.

The HLPR mortgage benefits qualifying borrowers in several ways: through lower monthly payments for a given mortgage, by allowing a borrower to pay for a mortgage to be used for their home even if needed for a mortgage that is not their primary residence:

- The HLPR program is available for adjustable-rate mortgage (ARM), for qualifying borrowers, at one percentage point below the national average for these loans.
- The credit union voluntarily subsidizes the program so we can offer a lower rate. It's part of our commitment to serving people of modest means.
- The required down payment is no more than 3%, and borrowers may use gifts or grants to make the down payment. After three years we will adjust the rate annually to market rates. We will cap adjustments at one percentage point a year and five percentage points over the life of the loan.
- The loan is available to borrowers whose household income is at or below the area median income; there is additional eligibility for those in designated "high-cost" areas.



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Who is eligible

HLPR loans are targeted to first-time home buyers purchasing an owner-occupied principal residence: single family, two family, condo, or co-op. Your household income is restricted to 100% or less of the area median income, except in certain "high-cost" areas. You can check borrower income limits at cuna.org/initiatives/hlpr/hlpr_borrower.html.

Here are answers to some frequently asked questions about HLPR loans:



Why are credit unions doing this?

With high home prices and monthly payments, many first-time, modest income buyers are frozen out of the market. Credit unions consider helping people of modest means important.



What if I would like to buy a home, but I can't afford it?

Example: If you have a \$50,000 down payment and a monthly payment of \$2,000 for a 30-year mortgage of \$250,000, the monthly savings are \$155, or \$1,850 a year.



How does this program help borrowers in high-cost areas?

By reducing the monthly payment, and allowing a slightly higher debt ratio, the program increases the size of mortgage affordable for a household