

FOR IMMEDIATE RELEASE:
October 31, 2005

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Credit Unions Nationwide Create New Billion-Dollar Mortgage Program for Low-Income Homebuyers

WASHINGTON – With the goal of helping lower-income homebuyers afford their first home, the Credit Union National Association (CUNA) announced today the creation of a billion-dollar mortgage lending initiative for the nation's credit unions.

This initiative—called the Home Loan Payment Relief (HLPR, pronounced “helper”) program—makes below-market-rate mortgage loans available to borrowers with household incomes at or below the median in their markets.

Participating credit unions are voluntarily bearing the cost so that the loans can be offered at this more affordable rate as part of their commitment to serving people of modest means. The HLPR mortgage is the newest initiative of many that credit unions around the country offer to assist lower-income members and their communities.

To date 61 credit unions that together serve more than 10 million consumer-members have committed nearly \$1 billion in mortgages to the HLPR program, a number that will rise over time as more credit unions learn of the program and participate. CUNA expects total commitments will reach \$2 billion later this year and \$10 billion over five years as the program gains more attention and is fine-tuned based on experience.

“As credit unions, we take our commitment to serve people of modest means to heart. The HLPR mortgage is the newest manifestation of our commitment,” said Rudy Hanley, CEO of Orange County Teachers Federal Credit Union, Santa Ana, CA, who spearheaded the development group under the auspices of CUNA. “The HLPR mortgage has been vetted with the appropriate regulatory and secondary-market agencies so that participating credit unions can begin offering it right out of the gate. We believe it has tremendous potential for growth.”

“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,” added Daniel A. Mica, CUNA President and CEO. “Real estate prices have surged all over the country, and mortgage rates are headed upward as well. The gap between the incomes of average families and the affordability of a first home is widening every day. Credit unions believe the HLPR mortgage is an innovative solution that will narrow the gap.”

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Median home prices in the nation's capital region, for example, have risen over 26% in the past year alone, according to the National Association of Realtors. The median home price in the area is \$482,000 but the median income in the District of Columbia, according to the U.S. Census, is only \$54,193.

In nearby Baltimore, home prices are rapidly climbing as well. The NAR figures show a 17% increase from the same time last year. The median income is \$38,706. The median price of a home has risen over \$100,000—from \$154,000 in 2002 to \$264,000—in 2005.

Municipal Employees Credit Union of Baltimore (MECU) will be participating in the HLPR program and reaching out to lower-income families there.

"MECU has a strong commitment to our members and our community," said Bert J. Hash Jr., president and CEO of Municipal Employees Credit Union of Baltimore Inc. "Participating in the HLPR Program gives us another tool to help our members of modest means achieve their financial dream of owning their own homes. This program not only will help our members, but will strengthen our communities by increasing the opportunities for homeownership."

Here are the basics of the program:

- The HLPR loan is a three-year adjustable-rate mortgage that will be offered to qualifying borrowers at one percent below the national average for these loans. Based on current market rates, the HLPR mortgage will be offered at app. 4.5 percent.
- Credit unions are voluntarily bearing the cost so that the loans can be offered at this more affordable rate as part of their commitment to serving people of modest means.
- The required down payment will be no more than 3 percent, and gifts or grants are permitted. After three years, the rate will adjust annually to market rates, with rate adjustments capped at 1 percent a year and 5 percent over the life of the loan.
- The loan is available to borrowers whose household income is either at or below the area median income (with additional eligibility for those in "high cost"-designated areas).
- Participating credit unions are encouraged to reduce closing costs, private mortgage insurance costs and/or other related fees or costs.
- The HLPR mortgage will benefit qualifying borrowers in several ways: through lower monthly payments; by qualifying for a larger mortgage; or by lowering the income level needed for a given mortgage.

A list is attached of those credit unions that have already committed to offering the HLPR mortgage, and more will be signing on. Lower-income borrowers should talk to their credit union about the HLPR mortgage or other programs they may offer for lower-income first-time homebuyers. Or for more information on the HLPR mortgage, consumers can contact CUNA or their state credit union league.

“People-helping-people is a longtime credo of the credit union movement,” continued Mica. “Serving members of modest means is an integral part of credit unions’ mission, and the HLPR mortgage program is yet another example of how credit unions are fulfilling that mission.”

With its network of affiliated state credit union leagues, Credit Union National Association serves more than 90 percent of America's 9,000 credit unions, which are owned by more than 87 million consumer members. Credit unions are not-for-profit cooperatives providing affordable financial services to people from all walks of life. For more information, visit www.cuna.org or to find a credit union you may be eligible to join, call toll-free 1-800-358-5710.

Fact Sheet on The Credit Union HLPR* Mortgage

* Home Loan Payment Relief (pronounced “helper”)

A “no gimmicks” low-rate mortgage for first-time homebuyers from their credit union.

Reasons for the Program

- With rising home prices and monthly payments, many first-time and modest means buyers become frozen out of the market.
- Although credit unions can't produce more affordable housing, they can reduce monthly payments, enabling more borrowers to qualify.
- Even in markets without recent big home price increases, high home payments are a burden to modest means homebuyers.
- Serving members of modest means is an integral part of credit unions' mission.

Basics of the Program

- Participating credit unions will offer a three-year adjustable rate mortgage at one percentage point BELOW the national average for such loans, to qualifying borrowers.
- After three years, the rate will adjust annually to market rates, with rate adjustments capped at 1% per year, and 5% over the life of the loan.
- At recent market rates, these loans would have been made at around 4 and 5/8ths%.
- Each credit union will grant and fund the loans to its own members.
- Credit unions will not make up for the lower rate with higher fees, points or other gimmicks. In fact, credit unions will be encouraged to seek and pass on to members reductions in closing costs and private mortgage insurance costs.

Underwriting Criteria

- Each credit union will use its own underwriting criteria, with the exception of the following two standards:
 - Required down payments will be no more than 3%, and gifts or grants will be permitted.
 - The maximum ratio of monthly obligations to income will be 42%.

Borrower Eligibility

- Borrower's household income will be restricted to 100% or less of the local area median income, except for certain "high-cost" areas designated by Freddie Mac and Fannie Mae based on HUD data.
- HLPB loans will be targeted to first-time homebuyers purchasing an owner occupied principal residence. Credit unions at their option may extend the loans to non-first-time buyers, subject to the income limitation.

Benefits of the Program to Members

- The program will lower mortgage costs and increase eligibility to credit union members of modest means who are contemplating buying a house. This will increase members' opportunities to purchase a home and begin to build wealth as the equity in their homes accumulates.
- These benefits are driven both by the lower interest rate and the higher permitted payment ratio of 42%. The benefits could be realized in a number of ways:
 - A lower monthly payment for any given loan size.
 - Enabling a member to qualify for a larger mortgage for a given income level. The program will allow for approximately a 25% increase in loan size for a given level of household income.
 - Lowering the income level necessary to qualify for a given mortgage size. The program will allow for approximately a 25% reduction in income necessary to qualify for a given loan size.
- By establishing mortgage relationships with credit unions, new members will be introduced to a variety of other services from a credit union.

Benefits of the Program to Credit Unions

- This program helps to underscore credit unions' role as serving consumers of modest means within their membership, while also tracking credit union service in this area.
- A credit union will be able to participate in a powerful national program by making loans to its own members using its own underwriting criteria.
- This is a concrete, voluntary program that further helps credit unions fulfill their mission of serving all their members, including those of modest means.

Mechanics of the Program

- At the beginning of each month, the Credit Union National Association (CUNA) will announce the loan rate for the month based on the national average on 3/1 ARMs from all lenders for the previous month. That will be the HLPR loan rate for month. In the event of rapid changes in market rates, weekly updates in the rate will be announced for the remainder of the month, as necessary.
- After the program has been in operation for several months, CUNA will consult with participating credit unions about continuing the program on a regular, annual basis, with modifications as necessary.

Additional Considerations

- Even with the HUD high-cost overrides, there may be some credit unions in markets that just do not have sufficient “affordable” housing even with the HLPR program. Other credit unions are likely to have a larger demand for the program than they can fund under the program. We are looking into ways for credit unions of the first type to participate in or buy loans from credit unions of the second type.
- Credit unions will be encouraged to underwrite the loans consistent with standard Freddie Mac (e.g., Home Possible) or Fannie Mae (e.g., MyCommunity) standards wherever possible for future salability.
- Some credit unions already have effective programs of specialized lending to first-time buyers or members of modest means that may not involve a 1% reduction in loan rate. On a case-by-case basis we will evaluate these programs. If the benefits to members are similar in magnitude to those of the HLPR program, we expect to be able to count the credit union’s program toward the national total.

Media contacts at CUNA for more information about the national HLPR program:

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CUNA & Affiliates

Credit Unions Signed Up for the HLPB Program as of October 31, 2005

CU	City	State	Amount
Alaska USA FCU	Anchorage	AK	\$20,000,000
Arkansas FCU	Jacksonville	AR	\$1,000,000
Arizona Federal CU	Phoenix	AZ	\$10,500,000
Premier America CU	Chatsworth	CA	\$8,000,000
Xerox FCU	El Segundo	CA	\$4,000,000
California CU	Glendale	CA	\$10,000,000
LBS Financial CU	Long Beach	CA	\$4,500,000
Wescom CU	Pasadena	CA	\$20,000,000
Provident CU	Redwood City	CA	\$9,400,000
Schools Financial CU	Sacramento	CA	\$11,000,000
First Future CU	San Diego	CA	\$6,300,000
USA FCU	San Diego	CA	\$5,000,000
USE CU	San Diego	CA	\$1,000,000
Patelco CU	San Francisco	CA	\$18,000,000
OCTFCU	Santa Ana	CA	\$60,000,000
Orange Countys CU	Santa Ana	CA	\$5,000,000
Redwood CU	Santa Rosa	CA	\$6,250,000
Star One CU	Sunnyvale	CA	\$21,750,000
Ent FCU	Colorado Springs	CO	\$13,500,000
DPS CU	Denver	CO	\$3,500,000
Bellco CU	Englewood	CO	\$10,000,000
Red Rocks FCU	Highlands Ranch	CO	\$900,000
GTE FCU	Tampa	FL	\$10,000,000
Suncoast Schools FCU	Tampa	FL	\$48,470,000
John Deere Community CU	Waterloo	IA	\$5,300,000
Fort Knox FCU	Radcliff	KY	\$3,000,000
Barksdale FCU	Barksdale AFB	LA	\$2,750,000
Crescent CU	Brockton	MA	\$1,500,000
HarborOne	Brockton	MA	\$9,000,000
U-Mass Five College CU	Hadley	MA	\$1,500,000
Hanscom FCU	Hanscom AFB	MA	\$3,000,000
Municipal ECU	Baltimore	MD	\$7,700,000
SECU	Linthicum	MD	\$12,000,000
T&C Federal CU	Pontiac	MI	\$4,020,000
US FCU	Burnsville	MN	\$2,500,000
Anheuser Busch Employees CU	St. Louis	MO	\$3,500,000
Coastal FCU	Raleigh	NC	\$10,000,000
Northeast CU	Portsmouth	NH	\$3,000,000
SEFCU	Albany	NY	\$6,100,000
Bethpage FCU	Bethpage	NY	\$30,000,000
Visions FCU	Endicott	NY	\$8,000,000
Teachers FCU	Farmingville	NY	\$9,700,000
Municipal CU	New York	NY	\$6,000,000
USAlliance FCU	Rye	NY	\$5,000,000
Nassau Educators FCU	Westbury	NY	\$7,200,000

Ohio University CU	Athens	OH	\$1,375,000
Wright Patt CU	Fairborn	OH	\$7,500,000
Superior FCU	Lima	OH	\$1,300,000
Toledo Community CU	Toledo	OH	\$1,700,000
Seven Seventeen CU	Warren	OH	\$3,000,000
First Tech CU	Beaverton	OR	\$15,000,000
Oregon Community CU	Eugene	OR	\$500,000
Citadel FCU	Thorndale	PA	\$5,000,000
SAFE FCU	Sumter	SC	\$3,300,000
Black Hills FCU	Rapid City	SD	\$3,000,000
AEDC FCU	Tullahoma	TN	\$5,000,000
Security Service FCU	San Antonio	TX	\$25,000,000
Langley FCU	Hampton	VA	\$7,755,000
Northwest FCU	Herndon	VA	\$5,000,000
Navy FCU	Merrifield	VA	\$125,000,000
BECU	Seattle	WA	\$100,000,000
Royal Credit Union	Eau Claire	WI	\$5,300,000
UW CU	Madison	WI	\$4,500,000
Total			\$768,070,000