CUNA
Credit Union National Association
cuna.org
DANIEL A. MICA
PRESIDENT & CEO
601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-638-5777 | FAX: 202-638-7734

December 8, 2009

The Honorable Louise Slaughter
Chairwoman
Committee on Rules
United States House of Representatives
Washington, DC 20515

Dear Chairwoman Slaughter,

On behalf of the Credit Union National Association (CUNA), I am writing in opposition to a bankruptcy amendment (#201) to H.R. 4173, the Wall Street Reform and Consumer Protection Act, submitted by Representative Conyers, to modify the bankruptcy code to permit judicial mortgage modification. CUNA is the largest credit union advocacy organization, representing nearly ninety percent of America's 8,000 state and federally chartered credit unions and their 92 million members.

As both the House and Senate consideration of H.R. 1106 demonstrated earlier this year, judicial mortgage modification legislation is controversial and bitterly divisive. H.R. 4173 has been delicately balanced to meet the needs of the proponents of financial regulatory reform and address several of the concerns that credit unions and others have raised throughout the process. We are deeply concerned that consideration of the Conyers amendment could upset the balance that we feel has been achieved in H.R. 4173, and its adoption as part of the legislation would force credit unions to strongly oppose the broader regulatory restructuring bill.

The Conyers amendment would permit the modification of primary mortgages in Chapter 13 bankruptcy proceedings. The specter of a well underwritten loan to a deserving borrower being adjusted through a judicial process is simply abhorrent to most credit union executives and volunteers.

Despite the immediate and visceral reaction credit unions have to judicial mortgage modification, CUNA has engaged Congress on this issue, over the last 24 months, with the firm belief that the Bankruptcy Code must fairly balance the rights of both credit grantors and borrowers, and that 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. We recognize the need for Congress to take steps to help keep people in their homes, and we note that credit unions were the first group of mortgage lenders to be open to legislation that would provide limited judicial mortgage modification.

AMERICA'S CREDIT UNIONS®
PO Box 431 | Madison, WI 53701-0431 | 5710 Mineral Point Road | Madison, WI 53705-4454 | PHONE: 608-231-4000

We have tried in good faith to work with proponents of this proposal on a compromise that would address the foreclosure crisis ignited by the sub-prime lending crisis and perpetuated by the unemployment crisis, without jeopardizing the safety and soundness of credit unions or having other adverse consequences to the mortgage lending market. Unfortunately, that compromise remains elusive. The proposal before the Rules Committee has the potential to do long-term damage to the mortgage market and undermine the safety and soundness of credit unions, and therefore we must oppose it.

We hope that credit unions' strong opposition to the Conyers amendment will not be construed as unwillingness to help their members who are affected by the financial crisis. Credit unions, which are entirely owned by their members, work each day to extend credit on terms which are in the best interest of the borrowing member and the membership at large. While credit unions did not engage in the type of predatory lending that caused the sub-prime lending crisis, credit unions and their members have been collateral damage to the financial crisis and are now feeling the effects of high unemployment.

In an effort to work with affected members and help them avoid foreclosure, credit unions have been modifying mortgages. As of September, credit unions had outstanding mortgage loans (first and second combined) on which they had made modifications totaling $4.9 billion. That represents 1.6% of total credit union mortgage loans outstanding. Also as of September, the proportion of mortgage loans delinquent at least one month at credit unions was 2.9%. To put this in perspective, based on similar data, banks had modified 1.1% of all their mortgage loans outstanding and had a delinquency rate of 5.5%.

On behalf of America's credit unions and their 92 million members, we respectfully ask that the Committee not make the Conyers amendment in order under the rule providing consideration of H.R. 4173. Thank you for your consideration.

Sincerely,

Daniel A. Mica

Daniel A. Mica
President & CEO