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

November 15, 2007

The Honorable John Conyers	The Honorable Lamar Smith
Chairman	Ranking Member
Committee on Judiciary	Committee on Judiciary
United States House of Representatives	United States House of Representatives
2138 Rayburn House Office Building	2142 Rayburn House Office Building
Washington, DC 20515	Washington, DC 20515

Dear Chairman Conyers and Ranking Member Smith,

On behalf of the Credit Union National Association (CUNA), I am writing regarding H.R. 3609, the *Emergency Home Ownership and Mortgage Equity Protection Act*. CUNA represents nearly 90% of America's 8,400 credit unions and 87 million credit union members.

While we have considerable concerns with any legislation that would open the Bankruptcy Code to amendment so soon after major revisions were enacted, we understand the need to be responsive to the current crisis in the subprime mortgage market. We urge the Committee to be surgical in its effort to address the current crisis through amendments to the code.

Credit unions can support legislation to eliminate the current exemption for first mortgages from modification during Chapter 13 bankruptcy proceedings only if such legislation includes the following limitations:

1. Permits bankruptcy judges to lower the principal amount of a loan, no less than the value of the house at the time the mortgage was made.
2. Permits bankruptcy judges to lower interest rates on mortgages, no less than current market rates for standard mortgage loans.
3. Permits bankruptcy judges to extend the remaining term of a loan secured by a borrower's primary residence by up to five years, but to no more than 40 years.
4. Permits the cancellation of prepayment penalties.

5. Extends the authority for bankruptcy judges to modify the terms on loans secured by a borrower's primary residence ONLY to loans made between January 1, 2003 and the date of enactment of the bill.

This approach not only limits "cramdowns" to amounts that result from: (a) high fees that were financed into the mortgage, (b) negative amortization, and (c) greater than 100% loan-to-value lending; but it would also set a timeframe that targets the solution to the specific problem. Without this time limitation, there could be significant increases in the cost of mortgage credit in the future for those with less than perfect credit. This time limitation would also reduce substantially any impact the law might have on the secondary market's willingness to buy mortgage-backed securities in the future. Finally, given likely passage of legislation prohibiting predatory mortgage lending going forward (H.R. 3915), the need to allow modification to loans secured by a borrower's primary residence would not exist in the future.

We believe that the approach we have outlined above represents a targeted and responsible response that deals with this serious public policy issue without producing numerous unintended consequences, or lasting beyond the problem itself.

On behalf of America's credit unions, thank you very much for consideration of our views on H.R. 3609. We look forward to working with the Committee on this issue.

Sincerely,

Daniel A. Mica
President & CEO