



For Details, Contact:
External Affairs
email: pacamail@ncua.gov
Fax: (703) 518-6409

National Credit Union
Administration
1775 Duke Street
Alexandria, VA 22314-3428
Phone: (703) 518-6330
Web Address: <http://www.ncua.gov/>

Media Advisory

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Chairman Johnson Testifies On Mortgage Reform

October 24, 2007, Alexandria, Va., -- National Credit Union Administration Chairman JoAnn Johnson testified today before the House Financial Services Committee on mortgage reform. The Legislative Proposals on Reforming Mortgage Practices hearing included three panels -- federal regulators and state banking supervisors, consumer groups, and industry trade associations.

Commenting on mortgage reform legislation recently introduced by senior House Financial Services Committee Democrats, Chairman Johnson outlined credit unions' role in the mortgage lending market and NCUA mortgage lending guidance, and she provided NCUA's views on the proposed legislation.

While approximately 60 percent of credit unions offer mortgage loans, credit unions represent a relatively small slice of the mortgage lending pie. Federally insured credit unions made about 2 percent of all mortgage loans in the first half of 2007 and about 9 percent of mortgage loans made by depository institutions.

"Mid-year 2007 statistics confirm that credit unions seldom delve into the kinds of alternative products that have unfortunately made this hearing necessary," Chairman Johnson said. "Non-traditional mortgage lending, such as interest-only or payment option loans, comprise less than 2 percent of first mortgage credit union loans."

Johnson identified three primary reasons why these riskier loans are not widespread in credit unions:

1. Many credit unions lack the expertise and resources to underwrite these types of loans.
2. NCUA issued guidance addressing problems associated with both credit and interest rate risk in non-traditional lending that translated into more stringent examinations.
3. The Federal Credit Union Act prohibits prepayment penalties.

"NCUA has proactively monitored trends in mortgage lending over the past decade

and accordingly issued guidance to the industry,” Chairman Johnson said. “NCUA also takes a robust approach to enforcement of consumer protection laws through our examination process. This contributes to a credit union industry that is enjoying relative stability in the midst of some very real dislocations in the mortgage market.

“I believe the recently introduced legislation would act to improve mortgage lending by making choices more understandable and by eliminating abusive practices that have placed borrowers in dire financial straits,” Johnson said. Chairman Johnson also called on the Committee to include NCUA in the rulemaking process set forth by this legislation.

“Consumers deserve choices in their financial lives, but those choices should be informed and presented in a way that enables them to use credit in a productive, not destructive manner. The legislation before us today represents an important step in aiding consumers as they navigate an increasingly complex and unpredictable financial landscape.”

The complete text of Chairman Johnson’s testimony is available online at [Mortgage Testimony.pdf](#).

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of over 86 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.