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Media Advisory

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Chairman Johnson Testifies on Subprime Mortgage Lending

March 27, 2007, Alexandria, Va., -- National Credit Union Administration (NCUA) Chairman JoAnn Johnson testified today before the House Subcommittee on Financial Institutions and Consumer Credit concerning subprime mortgage practices and products and foreclosures in relation to credit unions.

Chairman Johnson said that 68 percent of federally insured credit unions' (FICUs) offer mortgage loans and those loans represent a relatively small 2 percent of the total mortgage market. Sixty-one percent of credit union mortgage lending is comprised of traditional fixed rate mortgages and 39 percent is comprised of adjustable rate mortgages. To effectively reach out to disadvantaged and lower income individuals, some credit unions also offer nontraditional mortgage products and loans to subprime borrowers.

"NCUA supports risk based lending programs as a tool to reach out to all credit union members, where the programs are measured and meet supervisory expectations," stated Chairman Johnson. "To that end, NCUA has an interest in ensuring these loans are prudently underwritten and clearly understood by borrowers wherever they are offered."

"NCUA closely monitors performance indicators through data collection and the examination and supervision process. The good news is, to date, credit unions have not experienced an unsound level of mortgage loan delinquency, net charge-offs, or foreclosures. Current credit union mortgage performance is indicative of sound underwriting and appropriate collection efforts," Johnson testified before the Subcommittee.

Numerous Letters to Credit Unions and joint interagency guidance outlining safe, sound mortgage lending practices have been issued. Several specifically focus on subprime mortgage lending products. Recent Interagency Guidance on Nontraditional Mortgage Products is a key step in addressing the general weakening of underwriting standards in the overall mortgage market.

NCUA also supports the recently proposed Interagency Guidance on Subprime

Mortgage Lending, Chairman Johnson said. While subprime lending in credit unions is normally part of a broader risk based lending program, the underwriting standards proposed by the guidance are consistent with the message NCUA has been conveying to credit unions for years.

“Loans to subprime borrowers must be underwritten prudently and should not be granted to the borrower’s detriment,” Johnson said. “It is critical that subprime mortgage borrowers be given timely information to ensure they understand the risks involved with the products they select. NCUA is working with the other agencies to finalize this important guidance as soon as possible.”

The complete text of Chairman Johnson’s testimony will be available online at [click here](#).

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 85 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.