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## Media Advisory

FOR IMMEDIATE RELEASE

### Johnson Encourages Good Mortgage Habits During Consumer Protection Week

March 3, 2008, Alexandria, Va - National Credit Union Administration Chairman JoAnn Johnson used President George W. Bush's designation of March 2, 2008 through March 8, 2008 as National Consumer Protection Week to highlighted important factors consumers should consider when considering a mortgage.

"As a member of President Bush's Financial Literacy and Education Commission, I understand it is crucial that consumers are empowered with useful and understandable information when making financial decisions, particularly involving the purchasing of a home," said Chairman Johnson. "While mortgages are important financial instruments that help extend the American dream of homeownership to consumers, they can include terms and conditions that consumers must understand to protect themselves against hidden costs, and burdensome or confusing provisions."

Chairman Johnson outlined several responsible mortgage habits:

- Assess low fixed rates or very low payment amounts that may turn out to be valid only for an introductory period. Rates can rise substantially following that timeframe, after which the rates and/or payments may go up substantially. For example, while an Interest Only (I/O) loan may mean low payments because only the amount of interest accrued each month is being paid, the eventual principal pay off will be costly to the borrower.
- Understand terms. For example, "low rate" could mean either the payment rate or interest rate. While the interest rate is the rate used to calculate the amount of interest you will owe the lender each month, the payment rate is the rate used to calculate the amount of the payment you are obligated to make each month. If the payment rate is less than the interest rate, interest due will not be covered. This means that the loan balance is actually increasing because not all the interest that comes due is being paid, and the lender is adding the unpaid interest to the balance that is owed.
- Review all correspondence to ensure you deal only with reputable and

responsible lenders. Frequently, consumers are solicited by lenders who possess confidential information about their mortgage, and consumers need to be vigilant in their dealings with an increasingly complex and sometimes misleading mortgage landscape.

Johnson noted that "financial education is an important step in helping consumers navigate the complex mortgage lending market. I encourage credit unions to continue proactive efforts to inform their members about these issues."

For more information about mortgage advice, visit <http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt023.shtm>. In addition, to learn more about how to avoid fraud visit the Federal Government's consumer protection website, [click here](#).

The National Credit Union Administration is the independent federal agency that charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates the National Credit Union Share Insurance Fund (NCUSIF), insuring the savings of nearly 85 million account holders in all federal credit unions and most state-chartered credit unions. NCUA is funded by credit unions, not tax dollars.