

# NCUA LETTER TO CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

**DATE:** June 2012 **LETTER NO.:** 12-CU-07

**TO:** All Federally Insured Credit Unions

**SUBJ:** Mortgage Servicing Practices Impacting Military Homeowners

**ENCL:** *Interagency Guidance on Mortgage Servicing Practices Concerning Military Homeowners with Permanent Change of Station Orders*

Dear Board of Directors and Chief Executive Officers:

If your credit union provides mortgage services to military servicemembers, this guidance may apply to you. Any credit union responsible for managing a member's mortgage loan account, including collecting and crediting monthly payments, is acting as a mortgage servicer.<sup>1</sup>

On June 21, 2012, the National Credit Union Administration along with the other Federal Financial Institutions Examination Council (FFIEC) agencies issued joint guidance to address mortgage servicer practices impacting military homeowners.

### What is the purpose of this guidance?

The interagency guidance is intended to address mortgage servicer practices that may pose risks to homeowners who are serving in the military and to ensure compliance with applicable consumer laws and regulations. Specifically, this guidance addresses risks related to military homeowners who have notified their mortgage servicer of receiving Permanent Change of Station (PCS) orders.

Each year, a large proportion of active-duty servicemembers receive PCS orders to move to a new duty station. For military homeowners, receiving PCS orders presents unique challenges. PCS orders are non-negotiable and operate under short, strict timelines.

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<sup>1</sup> Mortgage Servicing: Making Sure Your Payments Count. Federal Trade Commission. Facts for Consumers (June 2010).

Homeowners with PCS orders remain accountable for their financial obligations, including their mortgages. If their homes have declined in value, they may be unable to sell the property or find a renter to cover the mortgage payment. As a result, military homeowners may continue to be obligated to make monthly payments after moving to a new duty station. Household income may decline if the spouse is employed and unable to quickly re-enter the workforce after relocating. Additionally, the housing allowance may be lower at the new location.

### **What does NCUA expect from credit unions?**

We expect credit unions to implement and follow appropriate policies and procedures to address the risks to homeowners who are serving in the military and have received PCS orders. Policies and procedures should be commensurate with the credit union's membership base and the size and complexity of its operations.

We also expect credit unions to adequately train their employees about the assistance and options available for homeowners with PCS orders.<sup>2</sup>

### **What should credit unions do for military homeowners?**

To protect military homeowners with PCS orders:

- DO provide homeowners with accurate, clear, and readily understandable information about available assistance options for which they may qualify, based on information known to the credit union.
- DO provide a reasonable means for borrowers to obtain information on the status of their requests for assistance.
- DO communicate the credit union's decision timely to homeowners regarding requests for assistance, including explanation for denial and what deficiencies need to be addressed.

### **What must credit unions NOT do?**

- DO NOT ask homeowners to waive their rights under the Servicemembers Civil Relief Act (SCRA)<sup>3</sup> or any other law, as a prerequisite to providing information about other available options or evaluating eligibility for assistance.

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<sup>2</sup> For example, foreclosure alternative programs include the Making Home Affordable Program and other programs offered by or through Fannie Mae, Freddie Mac, the Federal Housing Administration, the Department of Veterans Affairs, and the Department of Agriculture-Rural Development. Credit unions are not required to offer any particular programs, but should provide information about their availability.

<sup>3</sup> 50 U.S.C. app. §§ 501-597b. Among the protections under SCRA are restrictions on foreclosures of servicemembers' property securing pre-military-service mortgages for which the servicemember is still obligated, while the servicemember is in "military service," as defined in §511(2), or within nine months thereafter. The period of nine months will revert to 90 days after December 31, 2012.

- DO NOT advise homeowners who are current on their loans and able to make the monthly payment to skip making payments, thereby creating the appearance of financial distress to qualify for assistance.

**How will NCUA implement this guidance?**

We will determine through the supervision and member complaint processes whether a credit union has engaged in practices that are unfair, deceptive, or abusive, or that otherwise violate federal consumer financial laws and regulations.

We will take appropriate supervisory and enforcement actions to address violations that harm consumers, and seek corrective actions from credit union officials, including strengthening of mortgage loan programs and processes.

We are committed to effective implementation of the interagency guidance and its objectives. We encourage you to engage discussion with your examiner while developing or enhancing your mortgage lending program.

If you have questions, please contact your examiner, regional office, state supervisory authority, or NCUA's Office of Consumer Protection ([OCPMail@ncua.gov](mailto:OCPMail@ncua.gov)).

Sincerely,



Debbie Matz  
Chairman

Enclosure