MCUL
MICHIGAN CREDIT UNION LEAGUE

Helping Credit Unions Serve Their Members

June 23, 2010

Dear Members of the Banking and Financial Institutions and House Banking and Financial Services Committees:

On behalf of our 332 member credit unions, the Michigan Credit Union League (MCUL) appreciates the opportunity to comment on the 90 day workout legislation Michigan lawmakers passed last year, specifically Public Acts 29-31. As you are aware, the MCUL supported this legislation and encouraged lawmakers to strike a balance between homeowners' interests and the financial risks borne by lenders, especially depository institutions, in the very challenging economic climate. Despite the fact that credit unions did not contribute to the surge in sub-prime mortgage loans that initially fueled the rise in foreclosures, the economic circumstances in Michigan would seem to suggest that drastic steps had to be taken to assure that both homeowners and borrowers communicated and worked toward reasonable mortgage loan modifications where circumstances supported such actions.

Most credit unions already work with troubled borrowers to keep them in their homes and avoid foreclosure, but a lot of people end up going back into foreclosure after the 90 days is completed. Often times, the process requires borrowers to pay attention and timely respond to the mailing sent to them at the start of foreclosure. At this point many borrowers have already reluctantly "checked out" and have been avoiding mail and phone calls for months. If members do respond, often it is difficult to establish a workout because typically they need income (a job) in order to qualify for a modification program. As you are well aware, jobs are scarce in Michigan. Plus, many borrowers that have utilized this program are those interested in staying in the home for three more months without making any payments. However, the 14 day letter that goes out prior to the 90 days includes a list of housing counseling agencies, which has proven to be helpful to homeowners heading towards foreclosure. In many cases, this was the first time people had ever received assistance and the first time the homeowner knew specific agencies were available to help.

Because of the nature and structure of credit unions as not-for-profit cooperatives, our members continue to work with borrowers to keep them in their homes. Also, given the smaller volume of mortgage loans credit unions have, we are able to provide a more personalized service and therefore the decision to foreclose is not taken lightly. At the point a decision to foreclose is made, workout options in most cases have already been ruled out. With that said, this process is adding to the credit unions acquisition time, staffing, legal, and preservation expenses associated with foreclosures in Michigan. Therefore, the MCUL would like to be included in any discussions that pertain to any future changes to the current 90 day workout program.

Again, the MCUL appreciates the opportunity to comment on this issue and looks forward to working with committee members to keep people in their homes.

Sincerely,

Vicki Baron
State Legislative Coordinator

Headquarters: 101 S. Washington Square, Suite 900, Lansing, Michigan 48933 • Livonia Office: 38695 W. Seven Mile Road, Suite 200, Livonia, Michigan 48152-7097
Mailing Address: P.O. Box 8054, Plymouth, Michigan 48170-8054
Toll-Free: 1.800.262.6285 • Web Site: www.mcul.org