

NCUA LETTER TO CREDIT UNIONS

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

DATE: March 2009 **LETTER NO.:** 09-CU-04

TO: Federally Insured Credit Unions

SUBJ: Making Home Affordable: A Program for Mortgage
Loan Refinancing and Modifications

Dear Board of Directors:

President Barack Obama recently announced his administration's plan to help reduce the destructive consequences of home foreclosures. The Making Home Affordable program includes two components in the effort to assist homeowners who may not otherwise be able to refinance their mortgage loan or are struggling to make their monthly mortgage payment. The first component involves advantageous refinancing terms for loans currently owned or guaranteed by Fannie Mae or Freddie Mac where the member has a solid payment history but could encounter obstacles to refinancing due to a high loan to value ratio.

The second component involves modifying existing mortgage loans. The program is available to most lenders and servicers and applies to qualified mortgage loans. This aspect of the Making Home Affordable program has the greatest potential applicability to credit unions and their members. Mortgage loans and at-risk members that meet specified criteria¹ are eligible for modification, which can result in reduced payments for the member as well as other financial incentives for the member and for the lender/servicer.

The U.S. Treasury Department issued detailed loan modification guidelines on March 4, 2009, which are the result of the collaboration between the Treasury Department, federal bank and thrift regulators, NCUA, and other government agencies. The details of the program, including modification guidelines, can be found at www.FinancialStability.gov. The website also includes self-assessment tools to determine which component of the program may work best for the homeowner as well as common questions and answers.

¹ Please refer to the modification program guidelines for specific qualification criteria. A member does not have to be past due on their mortgage to qualify under the modification program.

Working with Residential Mortgage Borrowers:

NCUA remains committed to supporting your efforts in working with members who could benefit from loan refinancing and modifications.² Reducing the level of foreclosures and making it possible for members who are struggling financially to maintain ownership of their home has many benefits. Credit unions are encouraged to work through such situations in the best interest of all parties involved. Loan refinancing and modifications can be effective tools in working through these difficult times. By using the program loan modification guidelines, in conjunction with each credit union's own lending process, the effort to keep members in their homes can and should be done in a safe in sound manner.

Data Collection and Reporting:

Participants in either the refinancing or modification programs, under Making Home Affordable, will be required to report loan data. The primary purpose of the data will be for tracking program activity and performance. Details regarding what information to report, who to report to, and the format for reporting such information will be issued by the Treasury Department in the coming weeks.

Credit unions will need to continue to report any loan modifications, including those made under this program, on NCUA 5300 reports. Whether a modification should be defined as a Troubled Debt Restructuring according to Financial Accounting Standard 15 will need to be determined on a loan-by-loan basis, and reported accordingly on the 5300 report.

If you have questions regarding this Letter to Credit Unions, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

Michael E. Fryzel
Chairman

² NCUA has issued several Letters to Credit Unions in the recent past that encourage working with members who may benefit from various loan workout arrangements. Letters to Credit Unions 07-CU-06, Working with Residential Mortgage Borrowers, 08-CU-20, Evaluating Current Risks to Credit Unions, 08-CU-25, Credit Unions Holding Foreclosed Properties as Foreclosed and Repossessed Assets (FRA), as well as others, reflect NCUA's ongoing support and guidance in this regard.