



Senate President Courtney and Speaker Kotek, vice chairs Senate Republican Leader Girod and House Republican Leader Drazan and members of the Joint Interim Committee on The First Special Session of 2020, thank you for the opportunity to comment on legislative concepts with a direct impact on the work of Oregon Credit Unions in this state, specifically the mortgage foreclosure language in Sections 7-8 of LC45 and LC85.

Since last week, the Northwest Credit Union Association has participated in several meetings with Rep. Holvey and a small workgroup discussing the language in LC45. I understand that LC85 is very similar to the House draft with minor changes. We have been working through several issues and expect to see an amendment that reflects some of the discussion. We are optimistic that some of these issues will be reflected in an upcoming amendment, but to date these are the general principles that we brought to the table as our concerns in the initial draft language in LC45:

1. **Scope of Relief.** This is probably the most important element that we have concerns about. NWCUA understands and appreciates the need for foreclosure protection. However, specific changes to loan terms should not be a part of this legislation, especially if those terms places an undue safety and soundness risk on the financial institution, require the financial institution to waive interest income, or create regulatory burdens. Borrowers should be spared from foreclosure during the pandemic. Lenders should be free to work with borrowers on solutions that meet everyone's needs.
2. **Time Period for Relief.** The declaration of emergency was made in Executive Order 20-03. That declaration did not impose significant changes to business or personal operations. Rather, it laid the predicate for future actions that would do so. It triggered the emergency powers available under ORS 401.165 and 433.441 and empowered and directed state agencies to take certain actions. EO 20-03 did not include any stay at home orders or business closure requirements or restrictions. We believe it would be better to have the protections of this legislation in place for a **specific period**, and allow that period to be extended by the governor.
3. **Proof of Covid-Related Distress.** If the scope of the bill includes some required resolution for payments missed during the covered period, it should not cover borrowers who have not suffered a covid-related setback (and yes, those borrowers exist). The proof burden can be low, but it should not be non-existent. A copy of a layoff notice from an employer, a pay stub showing reduced wages, or other similar documentation should not impose too much of a burden on individual borrowers. The reason that the CARES Act relief provision for FNMA/FHLMC loans only requires a borrower certification and nothing more is that the CARES Act does not impose any deferral requirement on the lender. The CARES Act forbearance

Idaho Office

2710 W Sunrise Rim Rd, Suite 100
Boise, ID 83705

Oregon Office

13221 SW 68th Pkwy, Suite 400
Tigard, OR 97223

Washington Office

18000 International Blvd, Suite 350
SeaTac, WA 98188

Phone Numbers

+ 1 800 995 9064 toll free
+ 1 877 928 6397 fax

would require full repayment of all missed payments at the end of the deferral period unless the borrower and lender agree on some type of modification or deferral.

4. Carve-out for non-monetary defaults. This legislation should not prevent or restrict foreclosures or other remedies for non-monetary defaults such as abandonment, waste, illegal use, failure to maintain insurance, etc.

Oregon Credit Unions Responding to COVID Crisis

Oregon's credit unions serve those on the front lines-- members who are working to keep others safe during the pandemic. Several Oregon credit unions have a primary field of membership that includes schools, healthcare workers, police, fire, transportation, utilities, and government employees. Credit unions are already working hard to help their members who may be experiencing job losses, business closings, or other disruptions during this challenging time. Credit unions have a well-established history of service to members, especially following disasters, emergencies, and disruptions. We are providing now direct assistance to their members in the form of low-and no-interest loans, payment forbearance, fee waivers, payroll advances, loan modifications, and other services that help meet the needs of their members in crisis. Some additional points to consider:

- Credit unions understand the need for mortgage protection for consumers who are financially impacted by COVID-19.
- Borrowers financially impacted by COVID should be spared foreclosure during the pandemic.
- Credit unions as community lenders should have the flexibility to work with borrowers on solutions that meet everyone's needs.
- As not-for-profit cooperatives, credit unions put the needs of their members first.
- When our members experience financial hardship, we work with them and offer much more desirable services such as emergency, low-to-no interest loans and loan modifications.
- Credit unions are not-for-profit community lenders who exhaust every possible option before foreclosing.
 - In 2019, Oregon's 54 credit unions had a total of nine completed foreclosures, and seven in 2018.
- The policy most in consumers' best interests is granting credit unions the flexibility to do what they do best – serve their members on an individual basis.

Federal Mortgage Relief

The CARES Act provided for a moratorium on foreclosures for any federally backed mortgage loan. The agencies have extended this moratorium through August 31st. The CARES Act also established a right for any borrower in a federally backed mortgage loan to request forbearance

for up to 180 days, and an extension for up to an additional 180 days. This provides some temporary relief, but for some borrowers it can also create further stress.

Forbearance is a temporary suspension of monthly mortgage payments. Federally backed mortgages require all suspended payments along with the current month's payment are due in full at the end of the forbearance term. The vast majority of borrowers in owner-occupied homes, have federally backed mortgages.

There are a lot of misconceptions about how forbearance works. Many Americans believe a forbearance is simply tacking missed payments onto the end of their loan. This is a dangerous misconception and at present, financial institutions are bearing the brunt of responsibility for educating consumers. Local, state, and federal agencies are encouraging lenders to do forbearances but there is no requirement on education surrounding who should and should not ask for them. A recent CFPB study shows that more than half of respondents polled wouldn't be able to stay current on their obligations if they went without a paycheck for up to two months.

Many borrowers would prefer to establish an arrangement for handling the deferred payments at the time they receive relief from the lender. Many credit unions holding their own loans have been willing to enter into payment deferral or modification agreements, allowing the borrowers to extend the term of the loan or re-amortize payments at the end of the deferral, or to otherwise adjust the loan to address the skipped payments.

Credit Union Examples – Lending Today

I am pleased to share some examples of mortgage assistance that Oregon credit unions are providing to your constituents at a time when they most need it.

- US Agencies Federal Credit Union in Portland told us about a woman who has been a member since 1985. Her mortgage interest rate was 5.75% and the credit union was able to offer her a much lower rate-- 3.25%! This new loan will save her three years of payments and \$28,000 in interest overall, while lowering her monthly payments.
- Unitus Community Credit Union has assisted members by processing 99 home mortgage forbearance requests on \$24.1 million in loan balances. Unitus has been working round the clock to support members the past 8 weeks. Outside of the first mortgage servicing, they have helped members with over 4,700 temporary payment deferrals what is now \$102 million in non-residential mortgage loans such as auto loans, personal loans, credit cards and similar loan programs. Also on the credit side, they have funded 45 Covid-19 emergency paycheck replacement loans for \$139,000. They reported, "even if our loan was not housing related, our actions helped members preserve cash for paying rent, mortgage payments and related household bills."

- With mortgage rates falling to historic low levels, members of Rogue Credit Union in Medford, are taking the opportunity to refinance their home loans. The credit union has seen a 307% increase in refinance activity over this time last year. Rogue has helped 81 members reduce their house payment on average by \$279.27 per month. In addition, they've helped 141 members turn over \$4.1million of equity into cash.
- Consolidated Community CU in Portland closed a record number of mortgage loans -- 124 loans totaling over \$40 million. And in April, Consolidated closed 101 loans for just over \$30 million. Oregonians have been taking advantage of mortgage rates to refinance their home loans. The savings are tremendous; in March and April's loan closings, Consolidated Credit Union will have saved Oregonians over \$500,000.
- Oregon Community Credit Union in Eugene had processed 77 forbearance requests for \$23.7 million in balances. As noted earlier in this testimony, there are several challenges around the education process for forbearance and loan modification issues with residential mortgages.
- Finally, at a time when many businesses are forced to lay off employees, OnPoint Community Credit Union has **added** 30 employees since March to help provide exceptional service to members. This crisis has had a significant impact on OnPoint's nearly 400,000 members in Oregon and Southwest Washington, and they have implemented a number of programs and actions to provide additional support for our membership through this challenging time. Thus far, 880 members are taking OnPoint up on the offer for mortgage forbearance, meaning up to \$1.26 million is kept by members when they may need those funds for other emergency needs.

Submitted by:

Pamela Leavitt, Northwest Credit Union Association
Leavitt.nwadvocacy@gmail.com

The Northwest Credit Union Association represents the 58 state and federally chartered credit unions in Oregon, with two million Oregonians as members. Credit unions are not-for-profit financial cooperatives, organized to meet the needs of their members. Community service, financial education outreach, and philanthropy are in the credit union "DNA," and are evidenced in virtually every credit union branch and office. Credit unions in Oregon protect more than \$25 billion in assets – the life savings of their two million members who live and work in communities large and small, urban and rural.