



Comments on HB4204 (-1)
June 24, 2020 (9:00pm)

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 HB4204.

Since last week, the Northwest Credit Union Association has participated in several meetings to discuss concepts which would become HB4204 and the (-1) amendment which we received this afternoon. We appreciate all who came to the table and listened to our concerns. We began discussions with some general principles that we brought to the table as our concerns in the initial draft language:

1. **Scope of Relief.** 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 place an undue safety and soundness risk on the financial institution, require the financial institution to waive 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.** We believe it would be better to have the protections of this legislation in place for a **specific period**, and to allow that period to be extended by the governor.
3. **Proof of Covid-Related Distress.** The moratorium should not cover borrowers who have not suffered a covid-related setback.
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.

HB4204 (-1) Amendment

Several of the issues we brought to the table including Time Period for Relief, Proof of Covid-Related Distress and Carve-out for non-monetary defaults were addressed to our satisfaction.

- The "Emergency Period" definition in the bill has a date-certain of September 30, 2020;
- Borrower does need to "attest" to loss of income in response to COVID-19; and
- Protects the lender from non-monetary defaults like property abandonment.

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There are still several issues we would need addressed that the -1 amendment does not address including:

- Scope of relief. The -1 amendment would require extension of loan maturity dates and includes provisions that could require lenders to waive rights including interest income or timely recovery of amounts advanced to pay taxes or insurance.
- Covered loans. Further adjustment is necessary to ensure that lenders can address defaults that do not have anything to do with Covid.
- Flexibility. Further adjustment is needed to ensure that lenders can comply without undertaking expensive data processing changes, irrespective of whether the loan is a first mortgage, equity loan, or home equity line of credit.

We look forward to additional discussions on this bill.

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. Under the CARES Act forbearance approach, all suspended payments along with the current month's payment are due in full at the end of the forbearance term. That approach created substantial stress for homeowners who thought it unlikely that they would be able to immediately catch up past payments at the end of the forbearance period. The federal agencies have now established deferral programs to permit borrowers to make up missed payments at the end of the loan term rather than when the forbearance period ends. The vast majority of borrowers in owner-occupied homes, have federally backed mortgages.

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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.