Northwest Credit Union Association
Idaho • Oregon • Washington

Testimony on HB2009
House Business and Labor Committee
March 3, 2021
Northwest Credit Union Association

The Northwest Credit Union Association represents the 57 state and federally chartered credit unions in Oregon, with over 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 $30 billion in assets — the life savings of their members who live and work in communities large and small, urban, and rural.

Oregon Credit Unions' Response to the COVID-19 Crisis

Credit unions were founded during the Great Depression to serve those who were being overlooked by the traditional financial system. In full alignment with their "People Helping People" mission, credit unions have been providing special assistance to members since the very onset of the COVID-19 crisis. A few important points:

- ***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.***
- ***We have been providing assistance to members during the COVID crisis in the form of fee waivers, payroll advances, skip payments, forbearances, loan modifications, credit card payment deferrals, zero interest loans other accommodations on existing loans, as well as providing new emergency loans. In addition, Oregon credit unions have been working to assist small business by providing Small Business Administration Paycheck Protection Program loans. These loans allow businesses experiencing closure or slowdowns to continue paying their employees.***
- ***NWCUA's Community Impact Survey showed that between early March and the end of September, Oregon credit unions had already waived more than $4.4 million in fees, to help their members through the pandemic***

NWCUA supports policy that will allow flexibility for credit unions to do what they do best – meet the needs of their members on an individual basis.

Federal Mortgage Relief

The vast majority of borrowers in owner-occupied homes, have federally backed mortgages. The CARES Act provided for a moratorium on foreclosures for any federally backed mortgage loan. The agencies have now extended this moratorium through June 30, 2021, a total of 17 months. The CARES Act also established a right for any borrower in a federally backed mortgage loan to request *forbearance* (not deferral) 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 forbearance required by the CARES Act, all suspended payments along with the current month's payment are due in full at the end of the forbearance period. The agencies have established procedures and criteria for granting modifications for repayment of the payments missed during the forbearance.

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.

Oregon credit unions offer their members the products and services they need to achieve their financial dreams including owning a first home. Everyone benefits from a stable housing market and subsequently, a stable economy. Oregon credit unions have provided low cost home loans to their members for years and during uncertain times credit union members feel their credit union's arms around their shoulders even more.

Key Problems with HB2009 Draft

1) Coverage (Section 1(2)(a) and (g)). The bill as drafted covers business that own multiple properties and buildings with hundreds of apartments.

- The bill covers a "borrower," which is an individual **and** any business owned or controlled by individual that owns up to 5 "subject properties"
- A "subject property" is real property with four or fewer "improvements" designed and used for residential purposes.
- This could include an individual and 10 LLC's owned or controlled by individual, each with up to 5 properties that have 4 apartment buildings on each property

We believe the bill should be limited to natural persons or one business entity owned by a natural person that owns one 1-4 family dwelling. The point of this is to help individual borrowers.

2) Emergency Period (Section 1(2)(b)). The Emergency Period extends to 9/1/21 with option for Governor to extend to 12/31/21. We believe the Emergency period should mirror Fannie/Freddie ending on 6/30/21.

3) Notice Requirements (Section 1(3)). The notice requirement is inadequate for borrowers seeking to defer up to 21 months' worth of payments: Borrowers can obtain payment deferral by notifying a lender that they are unable to make payments. There is no requirement to specify what payments can't be made or even any requirement that the payment difficulty is related to Covid. The lender can ask for (but not require) written confirmation. The lender can ask for (but not require) additional information about hardship in order to enter into alternative modification but cannot require additional information in order to defer payments.

- The borrower should be required to attest to COVID related hardship (current language doesn't require any connection to COVID).
- The borrower needs to specify exactly which payments they can't make. If they tell a lender they can't make April – September payments, then they need to give another notice if they can't make payments for October – December. That also raises the issue of the extension – if the borrower notifies a lender that they can't make payments for the duration of the emergency period (through 9/1) there's no reason the lender should have to assume that they can't make their payments for any extension of the emergency period (through 12/31). The bill needs to recognize that and specifically address a new notice for any extended period.
- The credit union should be permitted to require (not just request) information or documentation about the borrower's financial circumstances to support the request. This will help lenders work with borrowers following the end of the emergency period and will also help lenders adequately forecast portfolio performance following the end of the emergency period.

4) Abandoned Properties (Section 1(10)). Current language in bill refers to the "abandonment" process that occurs in bankruptcy, which has nothing to do with whether property is actually vacant. In fact, as drafted the bill would permit a lender to foreclose on a property still occupied by the borrower, simply because the bankruptcy trustee chose not to administer the property as part of the bankruptcy estate.

- Abandoned/vacant properties should be excluded from the foreclosure moratorium.

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