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## MONEY BACK GUARANTEE

### 02/25/09 - Credit Union Support for Judicial Mortgage Modification

In a split from the national trade association, some credit unions have come out in support of judicial mortgage modification, provided for in the House bill scheduled for a vote tomorrow.

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Credit Union Journal

Split Emerges In CU Movement Over Bankruptcy Cramdowns

Credit Union Journal | Monday, February 23, 2009

WASHINGTON ? Several credit union leaders called on Congress Friday to move forward on initiatives to allow troubled homeowners to restructure their mortgages through the bankruptcy courts just as the mainstream credit union lobby was stepping up its efforts to block the so-called cramdown legislation.

"Negotiations have gone on long enough. We're losing jobs; houses are sitting vacant; we're getting clobbered; go on and pass it, but we need to get on with this," said Jim Blaine, president of North Carolina State Employees CU, who issued a press release Friday endorsing the cramdown legislation.

The release came a day after the credit union-backed Center for Responsible Lending and its creator, Self Help CU's Martin Eakes, signed a letter with the American Association of Retired People, the NAACP and dozens of other organizations supporting the bill to open the bankruptcy courts to troubled homeowners.

And yesterday the board of the National Federation of Community Development CUs, which represents about 200 credit unions, voted to support the cramdown legislation.

The calls to Congress come as the mainstream credit union lobby, CUNA

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and NAFCU, stepped up their opposition to the bill, just as the House is scheduled to vote the measure this week. In a prepared statement, CUNA President Dan Mica said Friday his group opposes the cramdown proposal and any other "which forces credit unions to accept a lower principal on a mortgage loan by the bankruptcy court."

CUNA and NAFCU have been working to limit the scope of the cramdown bill to subprime and other "non-traditional" mortgages, such as Alt-A loans, but the versions of the bill moving through the House and Senate would apply to all mortgages. "This measure," said Mica, "is overly broad in its application, scope, and duration as it applies to all mortgage loans, unfairly grouping a loan made with strong underwriting standards ? such as those made by credit unions ? with a loan made in an unscrupulous manner."

The measure is generally referred to as a cramdown because it would empower a bankruptcy judge to unilaterally push down the value of a mortgage loan on a lender's books.

"An immediate legislative answer is needed for the collapse of the real estate market and the rising tide of foreclosures," said Blaine. "The mortgage ?cramdown' provisions of (the House and Senate bills) offer the best and quickest method for stabilizing the housing market and moving the real estate industry back toward growth."

Blaine and Eakes, one of the leaders of the community development credit union movement, have stepped out in opposition to the mainstream credit union lobby before, specifically during the long-effort to pass bankruptcy reform, which both opposed.

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