

Cooperative Credit Union Association

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Creating Cooperative Power

May 27, 2022

Office of General Counsel
Regulations Division
Department of Housing and Urban Development
451 7th Street NW
Room 10276
Washington, DC 20410-0500

**RE: Increased Forty-Year Term for Loan Modifications
RIN 2502-AJ59**

Dear Sir or Madam:

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. (“Association”) appreciates the opportunity to comment on the Department of Housing and Urban Development’s (HUD) proposed regulation on the Increased Forty-Year Term for Loan Modifications, which would allow credit unions and other lenders to modify mortgages insured by the Federal Housing Administration (FHA) to a term of as much as 480 months from the current maximum of 360 months. The Association is the state trade association representing approximately 200 state and federally chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 3.6 million consumer members.

The Association’s High-Level Comments

- The Association strongly supports HUD’s proposal to increase the maximum term for FHA-insured mortgage modifications to 40 years from the current 30 years. We urge HUD to finalize this regulation as proposed.
- Many of our member credit unions originate and service FHA-insured mortgages. FHA loans help promote financial inclusion, especially for lower-income individuals who live in higher-cost housing markets like eastern New England and parts of Delaware.
- We believe that authorizing 40-year modifications for FHA-insured mortgages will help homeowners negatively affected by the Covid-19 Pandemic be better able to remain in their homes. It will also help to mitigate mortgage losses and avoid unwarranted downturns in local home prices, especially in lower-income neighborhoods.

The Association's Detailed Comments

The Association strongly supports HUD's proposal to increase the maximum term of modified FHA-insured mortgages from 360 months to 480 months. We urge HUD to finalize this regulation as proposed.

Many consumers have accumulated significant mortgage arrearage during the Covid-19 Pandemic through no fault of their own. Achieving loan modifications with affordable monthly payments may not be feasible for some of these borrowers with only a 30-year mortgage modification option. Extending the permissible terms of these loans to a maximum 40-years as part of a workout is a commonsense solution to the problem of achieving manageable, affordable monthly mortgage payments for these borrowers that will help both ordinary families and their communities.

If this rule is finalized, making FHA-insured mortgage modifications with 40-year terms should be a permissible activity for federal credit unions (which includes all credit unions located in Delaware as well as many of the Association's other member credit unions) and for state-chartered credit unions in Massachusetts, New Hampshire, and Rhode Island.

Section 107(5)(A) of the Federal Credit Union Act provides that federal credit unions may make long-term mortgages on 1-4 family residential properties and also, separately, that a "loan secured by the insurance or guarantee of, or with advance commitment to purchase the loan by, the Federal Government, a State government, or any agency of either may be made for the maturity and under the terms and conditions specified in the law under which such insurance, guarantee, or commitment is provided." 12 U.S.C. §§ 1757(5)(A)(i), (iii) (emphasis added).

National Credit Union Administration regulations also already authorize federal credit unions to make long-term FHA-insured mortgages with lengths of up to 40 years. See 12 C.F.R. § 701.21(g). This means that federal credit unions will be authorized to make 40-year modifications to FHA-insured mortgages if HUD finalizes this regulation as proposed.

The Association's state-charted credit unions should also benefit from this new rule. In addition to broad lending authorities under state laws, which are likely sufficient on their own, the state credit union acts of Massachusetts, New Hampshire, and Delaware also all include so-called "wildcard statutes" intended to give state-chartered credit unions parity with federal credit unions. If necessary, these wildcard statutes can be utilized by state credit union regulators to authorize state-chartered credit unions to make 40-year modifications to FHA-insured mortgages to the same extent as federal credit unions. See Mass. Gen. Laws ch. 171, § 6A; N.H. Rev. Stat. Ann. § 383-E:4-411; R.I. Gen. Laws § 19-5-25.

This regulation, if finalized as proposed, will promote financial inclusion by helping lower-income mortgage borrowers remain in their homes. It will also aid in avoiding vicious cycles of local home-price deterioration that frequently coincide with increased foreclosures. Such cycles are especially common in lower-income areas.

Low- and moderate-income individuals often struggle to afford the dream of home ownership. While this is true in all metropolitan regions, it is especially so the Greater Boston area, which

includes significant portions of Massachusetts, New Hampshire, and Rhode Island. According to [payscale.com](https://www.payscale.com), for example, the cost of living in this region's urban core of the City of Boston is 48 percent higher than the national average,¹ and the cost of living is even less affordable in places such as Newport, RI. Many other local areas where the Association's members operate also have a higher costs of living than the national average, including Manchester, NH, Nashua, NH, Newark, DE, Providence, RI, Wilmington, DE, and Worcester, MA.

Individuals who are struggling to accumulate the down payment necessary to buy a home in these expensive housing markets are exactly the types of borrowers that the FHA was created to assist. Further aiding those among these borrowers who have been hurt by the Pandemic, by providing a 40-year mortgage modification option, is wise public policy that will promote financial inclusion and help mitigate mortgage losses. We strongly urge HUD to finalize this regulation as proposed.

The Association appreciates the opportunity to comment on the HUD's proposed rule on the Increased Forty-Year Term for Loan Modifications. If you have any questions about our comments or require further information, please do not hesitate to contact the Association at govaff-reg@ccua.org.

Sincerely,



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¹ "Cost of Living in Boston, Massachusetts;" <https://www.payscale.com/cost-of-living-calculator/Massachusetts-Boston> (last visited May 20, 2022).