



Written Testimony HB2009 (A Engrossed)

Northwest Credit Union Association

Chair Jama and members of the committee, I am Pam Leavitt, representing the Northwest Credit Union Association. Here with me is Hal Scoggins, outside counsel for Oregon credit unions. Thank you for the opportunity for provide comments on HB2009A.

The American Dream is home ownership, and Oregon's not-for-profit financial cooperative credit unions are committed to helping their members achieve it. The pandemic put thousands of homeowners in peril when they lost their jobs or had to close their businesses. Credit unions understand the need for mortgage protection for consumers who are financially impacted by COVID-19 and continue to support member and have restructured loans that result in better terms for the members. Those services will continue as Oregonians exit forbearance and loan deferrals and seek other flexibilities from their credit union. Credit unions exhaust **every possible option** before foreclosing. For example, in 2019, all of Oregon's credit unions had a total of nine completed foreclosures, and seven in 2018.

While the NCUA appreciates the substantial work that has gone into improving HB 2009A, there is still work to be done. In particular, there are two technical changes that can and should be made without any alteration of the intended benefits or effect of the bill.

Technical Changes

- **Vacant properties.** Section 1(10)(a)((C) provides that the foreclosure prohibition does not apply to dispositions of “vacant or abandoned” property. These terms are vague enough that lenders are still at risk (for example a property occupied by squatters is technically not vacant). The following language should be substituted for the existing language:

“if at the time of the recording of the notice of sale or filing of the complaint, the property is not occupied by the borrower, the borrower’s child or step-child, the borrower’s parent or step-parent, the borrower’s spouse, or a tenant of the borrower under a bona fide written lease entered into before the recording of the notice of sale or filing of the complaint.”

- **Conflict with current foreclosure avoidance measure provisions.** The bill includes language in Section 1(3)(c) which implies that a borrower can qualify for a non-HB 2009 foreclosure avoidance measure (such as a loan modification) without providing

information the lender requires to evaluate the borrower's eligibility for such a modification. This directly contradicts ORS 86.729, which specifies information that the borrower has to provide and allows the lender to ask for additional information. HB 2009 provides for a specific deferral right. It should not restrict lenders' ability to request and consider information they need in order to offer the borrower other remedies. Page 3, lines 15 – 17 should be revised as follows: "A borrower's failure to provide the information does not disqualify the borrower from ~~negotiating and agreeing to a foreclosure avoidance measure or from~~ obtaining the protections described in paragraph (a) of this subsection."

Inadequate Notice

- The notice requirement is too vague and is also inadequate. The bill should explicitly require borrowers to identify what payments they wish to defer. The emergency period (when combined with that of 4204) may extend for as long as 21 months if the governor extends it twice as authorized in the bill. The circumstances experienced by borrowers during this period are not identical; some experienced reductions in income, some experienced temporary interruptions in income; some lost jobs completely. Others experienced no change in income at all.

It is not difficult for a borrower to identify specific payments that they are unable to make. If their hardship continues and the emergency period is extended, they have complete freedom to provide the lender with another notice and the lender is equally bound to grant the deferral. This simple step would at least provide some clarity for lenders and prevent abuse by borrowers.

Similarly, lenders should be able to require some information from the borrower as to the nature and scope of the hardship: temporary closure of employer, reduction in pay, layoff, termination, etc. This will help lenders to better work with borrowers and also manage and report credit risk for regulatory purposes.