

In the U.S. Mortgage Crisis, Who Can You Trust?

By Russell Brooks, President/CEO SPE Federal Credit Union

I have watched, along with the residents of Centre County, as the so called “national mortgage crisis” unfolds. Most of the stories in the media are a blend of a few facts, some tragic human interest examples, and a lot of finger pointing.

I would like to put a finer point on this for the local readers. Here is what an informed observer should know:

Fact: The largest players in the sub-prime mortgage lending fiasco are major banks such as CitiGroup, Bank of America, Wells Fargo, and Washington Mutual, to name just a few¹. These banks worked in conjunction with Merrill Lynch, other major brokerage firms, and with mortgage bankers such as Countrywide Financial and New Century Financial.

Fact: These parties eagerly joined in building the mortgage bubble by making or buying mortgage loans granted to a mix of unsophisticated borrowers, real estate speculators, and people living substantially beyond their means. In many cases the banks purchased loans from unscrupulous, and very loosely regulated, mortgage brokers who only wanted to collect their commissions. These brokers could not have cared less if the borrowers could not afford the homes or the loans used to buy them.

Fact: When the bubble burst, the above mentioned lenders ran for the hills. They closed off their wholesale channels, fired employees, and started to do their own little “victim” dance. The truth is that these institutions were guilty of sloppy underwriting of the worst sort. In some cases they facilitated fraud, whether wittingly or unwittingly. In no case are these lenders victims!

This brings me to a couple of important points that are overlooked in the reporting both nationally and locally.

Fact: Credit unions generally, and Centre County credit unions specifically, did not participate in the subprime lending debacle.

Fact: Credit unions are working hard to do their part to clean this mess up by helping victims refinance their home loans when possible. Sadly, some of these borrowers are beyond help.

Fact: Credit unions are member owned financial institutions. Many of them provide full service banking, including home mortgages, to their members. There are four credit unions based in Centre County meeting the needs of local citizens in an honorable and trustworthy way.

¹ See references at end

Fact: In Pennsylvania, 3.4 million people belong to credit unions. Nearly 90 million people belong to credit unions nationwide.

Fact: Every person who lives, works, worships, goes to school or volunteers in Centre County can belong to a credit union in Centre County.

When people do their banking at their credit union, they are banking with people they can trust. A member owned organization puts the interest of members ahead of profit. Credit unions encourage thrift and prudent borrowing. Many of the so called “hybrid” and “option” mortgages were not even offered by credit unions because they are bad deals for borrowers.

As this drama unfolds on the national scene, the question remains – who can you trust? For consumers in search of a home loan, and any other banking service for that matter, the answer to the question is – **a credit union**. To learn more about credit unions talk to a friend or neighbor who belongs, or visit www.iBelong.org.

¹ *“TheStreet.com Ratings: Banks with Most Subprime Exposure,”* The Street.com 3/14/2007; *“Wells Fargo shuts subprime mortgage unit, cuts jobs,”* Reuters/SignOnSandiego.com 7/26/2007; *“Wells Fargo cuts 320 subprime mortgage jobs,”* Reuters.com 2/21/2007; *“Countrywide Is Sued Again by U.S. Overseer,”* New York Times 3/5/2008; *“Wells Fargo discontinues popular mortgage for subprime borrowers,”* International Herald Tribune 7/23/2007; *“Rise and Fall of Subprime lenders Began on Wall St.,”* NPR 3/5/2008