From: Caroline Clark [cclark@yvcu.org]
Sent: Wednesday, February 04, 2009 4:07 PM
To: _Regulatory Comments
Subject: Comments on Advanced Notice of Propsed Rulemaking for Part 704

Caroline Clark
POB 2922
YAKIMA, WA 98907-2922

February 4, 2009

Mary Rupp
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Ms. Rupp:

Dear Ms. Rupp,

As Congress struggles with the on-going mortgage crisis, our credit union is very concerned with legislation like H.R. 200 which will give bankruptcy courts unlimited authority to modify any type of loans secured by a debtor's principal residence.

One of the reasons credit unions do not like cramdowns is that a judge can undervalue the collateral. Creditors are concerned about this because they think that bankruptcy judges are in favor of borrowers. Lenders and borrowers may also make mistakes about the value of the collateral, but are less likely to do so because they are self-interested. If property had an equal value to everyone, and people had no personal attachments to property, eliminating the cramdown option wouldn't matter.

Another reason lenders are against not allowing cramdowns for homes is that a home is often worth more to the current owner, for emotional reasons (and due to the costs and disruption associated with finding a replacement), than its fair market value in a bankruptcy. This personal value is destroyed if the creditor repossesses the collateral, or the collateral is sold at auction.

Today with a collapsing market, everyone acknowledges that many homeowners are legitimately upside down with their mortgage lenders. It is now often impossible for a person with bad credit to refinance an existing loan in today's financial market, even if the refinance provides a fair return to the original lender, compared to foreclosing making bankruptcy courts the only institutions in our society currently able to do what makes sense in the cases of many distressed homeowners.

If members of Congress should compromise, they should do so by limiting the option of a cramdown to borrowers in states where average or median housing prices have fallen by more than the original down payment from when the borrower took out the original loan. This compromise would prevent abuse in good economic times.

Please know that our credit union is desperately trying to meet the financial needs of our members in an economic environment that is still deteriorating. To have to cramdown loans

for opportunists who jump on the wagon would, I fear, be the end of credit unions. The credit union industry has done nothing wrong to cause this crisis and yet we are taking hits with no relief in sight.

I hope you will oppose H.R. 200 in its current form. Thank you very much for your consideration.

Sincerely,

Caroline Clark