



Commonwealth

Subprime Lending and the Foreclosure Crisis

During the housing boom of 2003 and 2004, there was an explosion of mortgage lending, with subprime loans a significant factor. Indeed, such loans made up only 1% of mortgage loans in 1993; by 2003, the figure was 18%. Why would more and more borrowers sign up for loans that, by their very nature, entail higher interest rates? While some subprime loans provide opportunities to struggling families, much of the subprime market is comprised of predatory "loan sharks." Some people could have qualified for conventional mortgages but didn't understand the differences between conventional loans and their subprime cousins. Others were enticed by marketing campaigns promising that even people with shaky credit could own a very nice house.

Persuasive marketing and an overall housing frenzy obscured a very worrisome fact: thousands of Americans were signing up for mortgages jammed full of gimmicks like interest-only mortgages; teaser rates offering an initial low interest rate and then higher rates after 18 or 24 months; and loans requiring no documentation of income or credit histories. Financial analysts estimate that over 35% of subprime mortgages were approved without any income documentation.

Now the mortgage boom has turned into a nightmare for many thousands of homeowners who are unable to make mortgage payments and face foreclosure. This phenomenon is happening not only in inner-city neighborhoods long plagued by predatory subprime lending but also in the suburbs. Ohio is evaluating the creation of an emergency fund to help homeowners keep their homes.

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¡Ojo! Préstamos depredadores y crisis de ejecución

Durante el auge de viviendas del 2003 y 2004, hubo una explosión de préstamos de hipotecas, con un factor significativo de préstamos depredadores. Ahora el auge de hipotecas se ha convertido en una pesadilla para miles de propietarios, quienes no están en condiciones de hacer pagos con altos intereses de hipotecas, que luego se convierten en ejecuciones.

Algunos Estados están viendo la creación de fondos de emergencia para ayudar a los propietarios a mantener sus casas y en Marzo del 2007, Congresistas abordaron esta situación en el Congreso. Los Representantes de préstamos depredadores ofrecieron tres defensas principales, comenzando con la idea de que el mercado de casas no es estable, sube y baja. De todas formas, la actual ola de ejecuciones de casas se incrementó en un 46%, mucho más que una simple variación en el mercado de casas. Ellos incluso argumentaron que restricciones futuras en esta clase de préstamos limitará el acceso al crédito. De todas formas, leyes mandatorias y estrictas relacionadas a las reglas de préstamos no tendrán terribles consecuencias para los consumidores. Finalmente, la industria de préstamos depredadores dice que ésta es una responsabilidad de los consumidores - hechando la culpa a las víctimas de este esquema poco ético.

Es importante informar a las personas para que esten conscientes de las alternativas del juego de préstamos depredadores. Cooperativas de Crédito y otros prestamistas para compra de casas trabajan con las personas que solicitan préstamos para ayudarles a limpiar los problemas de crédito y finalmente calificar para los préstamos convencionales.

Necesitamos trabajar enfocados a que los representantes de préstamos depredadores se conviertan nuevamente en un punto de poca importancia en la industria de la vivienda. Ese cambio aliviaría mucha infelicidad de la gente común y corriente.

Traducido para Patricia Farfan

Are you stuck in a bad mortgage?

We can help you...

- Save your home
- Get a better mortgage

Call and make an appointment today!

Greg - ext. 230 • Susan - ext. 231

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¿Se encuentra atrapado en un mal préstamo de hipoteca?

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- Consiga una mejor hipoteca

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Susan - ext. 231 • se habla español

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Money Smarts for Life After Graduation

Wow, the moment you have been waiting for is almost here. Your child is finally graduating high school and will soon be out on her or his own. But did you know that the average college student is inundated with credit card applications on a weekly basis, or that many colleges and universities allow credit card companies to market their product to students on campus? Currently, 45% of college students have an average balance of \$3,000.00 in credit card debt. That is a risk that could put your child into debt at a young age. Educating your child before they leave home is a great way to make sure they're aware of all the financial traps they are about to face.

There is also the issue of helping your recent graduate establish a checking account and a savings account. Helping teens establish accounts provides them with the responsibility of being in charge of their own finances. We encourage you to involve your teens with the family finances. This way they are exposed to what their finances are going to involve when they no longer live at home.

Whether moving out, going to college or joining the workforce, it's important to arm your children with the skills they will need as they begin their independent lives. Some tough questions you may be asking yourself are, "How will they handle their

money when they are away?" "Are they going to need an account of their own?" or "What should they know about loans and credit?"

The answer to all of these questions will be answered at our parent/graduate workshop at noon on Saturday, July 14. This workshop will include topics such as credit cards and establishing good credit early; banking basics, which includes how to open a checking and savings account and how you use the accounts; student loans and filling out your FAFSA for Pell and Tap loans. We'll help make your teen's transition to life after high school a little easier, with a wealth of key financial knowledge.

Tina Sherman

Upcoming Financial Workshops

June 5 - Finance Your Small Business
June 12 - Grant Writing Seminar
June 12 - Credit Repair Workshop
June 19 - Home Ownership

Summer workshops are still being
scheduled - look for an updated
workshop schedule soon!

For more information:
Contact Nick at 476-1451 or
nickcavanaugh@coopfed.org

Money Matters for Grads (and their Moms and Dads!)



12:00 - 2:00 pm
Saturday, July 14

For more information:
Call Thom at 471-1116
ext. 217

ACH Transactions are Even Easier!

SCFCU's ACH transaction services are now more user-friendly than ever. To continue serving you better, we have introduced a few changes to the way ACHs ("automated clearing house" transactions like direct deposit and direct pay) are recorded on your credit union account statements. This is just one of the many improvements our members will experience thanks to the work being done by Laurie Mantor, in her new role as Assistant Accounts Manager!

Direct Deposit: If your paycheck, tax return, or benefits are sent directly to your checking or savings account, these will now be listed on your monthly statement as "ACH Credits." Your statement will also list the date, deposit amount, and source of the deposit.

Direct Payment: If you have monthly payments withdrawn directly from your checking or savings account, these will now appear as "ACH Debits." Your statement will also tell you the date, debit amount, and payee (the company that withdrew the money).

If you have any questions about these changes—or if you want to learn more about setting up a direct deposit or direct payment—call Laurie at 471-1116 ext. 240.

Meagan Weatherby

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Continued from front page...

Congressional committees held hearings during March 2007 to address this issue. Representatives of subprime lenders offered three principal defenses, starting with the notion that housing markets have ups and downs on a regular basis. Thus, there is no housing crisis. They also argued that further restricting subprime loans limits access to credit. Finally, skills for the subprime industry raised the issue of consumer responsibility. Put simply, folks signing up for no-documentation loans didn't tell the truth about household income. Therefore, they helped create their own problems.

For starters, the current wave of foreclosures is much more than a hiccup in housing markets. When foreclosures increase by 46 percent, there's a real problem at hand.

Next, the "access-to-credit" card is played whenever a legislative body considers more stringent regulations for subprime loans. However, North Carolina legislature passed a bill mandating stricter lending rules, and there were no dire consequences for consumers.

The notion of consumer responsibility is more complicated. On one hand, thousands of borrowers signed on the

dotted line even though they didn't contact a lawyer and barely understood the terms of their mortgages. On the other, lenders, as a matter of law and ethics, aren't supposed to make ultra-risky loans to people who lack the means to repay them. In one instance, a lender persuaded a widow to sign up for a home-equity loan with payments that exceeded her monthly retirement income. In another case, a retired couple had just about paid off their mortgage when they were coaxed into consolidating their credit card debt into their mortgage. They were told that the interest rate would be 5 to 6%, reducing their monthly payment, but after they signed the agreement they found themselves paying an APR of 11.8%. Combined with dubious and excessive fees, they wound up with a mortgage payment equaling nearly 60% of their monthly income. These kinds of abuses may not be an everyday occurrence, but they also are not rarities. Many unscrupulous lenders are downright deceptive.

Let's move on to possible solutions for the current housing crisis. Clearly, passage of tough federal legislation on subprime lending would be a major step forward.

However, when Congress has debated this issue in the past, the end result was a watered-down bill. Perhaps there will be a different outcome this summer.

It's even more important to make everyday citizens aware of alternatives to the subprime game. Credit unions and other responsible mortgage lenders work

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with loan applicants to help them clean up credit problems and ultimately qualify for conventional loans. For instance, SCFCU offers a HUD-approved Housing Counseling service that helps people repair credit, build savings, and get approved for a mortgage. Plus, SCFCU's wide range of mortgages include special "bridge" mortgages that help people purchase homes at fair and affordable rates, while they continue to receive credit counseling until they can refinance into a prime product a few years down the road.

There's also a range of assistance for potential home buyers: financial subsidies from employers like St. Joseph's Hospital, help from neighborhood housing groups like Jubilee Homes and UNPA, advice and counseling from Home Headquarters and our own credit union. We offer workshops on the mechanics of home buying on a regular basis.

Finally, there's no scarcity of information about hazards of subprime loans. National groups like ACORN have websites devoted to this problem. A 2004 book, *Why the Poor Pay More: How to Stop Predatory Lending*, does an excellent job of explaining the ins and outs of subprime lending.

We need to work toward a day when subprime loans are once again a marginal item within the housing industry. That shift would alleviate a lot of misery for ordinary people.

Carl Mellor

Thinking about home improvements?

Contact Greg at ext. 230 for home
improvement loan options.

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Around The Office

We have three new staff members to welcome! Kira Crawford joined our staff as a Financial Education Instructor; Sheila Rees is our new Human Resources and Administrative Specialist; and, Paula Graham is our new Mortgage Lending Officer/Housing Counselor.

We have another addition to the staff to report: Meagan, a two-year Credit Union veteran through the AmeriCorps*VISTA program, is joining staff to work on Program Sustainability and Outreach. Meagan served as the Grant Writing and Fundraising VISTA for two years, and we're very happy she'll be staying with us! We're sad to say goodbye to Tina Sherman, our Youth Life Skills VISTA. She will be working and pursuing her Master's Degree. We would like to inform to you that Jack is now working at Westcott Office, except for Fridays, when he returns to Southwest. To reach Jack, call extension 212. Likewise, Patricia is working at Southwest Office from Monday through Thursday (she's at the Westcott Office on Fridays). This switch allows us to provide service in Spanish at the Southwest Office. Patricia can also receive your loan application, review your credit report, open an account, coordinate schedule of payments or simply answer any questions you may have. We invite you to stop in or call her by dialing 5 from inside the main CU telephone menu. Big Congratulations to Kena on her graduation from Syracuse University! She received a degree in International Relations with a concentration in Global Political Economy.



Christina Sauve

Traveling? Let us know!

If you'll be traveling, let us know – otherwise, your VISA card may be rejected!

To prevent fraud, VISA rejects transactions that are flagged as out-of-the-ordinary – like buying gas in another state or using your card internationally. However, they'll call us before they do so – and if we know you're traveling, we can tell them and prevent your card from being rejected. Call Leyanis at ext. 213, Maribel at ext. 241, or Laurie at ext. 240 if you'll be traveling. Bon voyage!



Alrededor de Oficina

Tenemos que dar la bienvenida a tres nuevos empleados! Kira Crawford se unió a nuestro Personal como Instructora de Educación Financiera, Sheila Rees es nuestra nueva Especialista Administrativa y Recursos Humanos; y Paula Graham es nuestra nueva representante de Préstamos e Hipotecas y Consultoría de Vivienda. Asimismo, debemos reportar que Meagan, quien estuvo dos años en esta Cooperativa de Crédito en el programa AmeriCorps VISTA, se está uniendo a nuestro Personal para trabajar en Programas de Administración y Publicidad. Meagan trabajó como VISTA, en la Subvención y Recaudación de Fondos durante dos años y estamos felices porque ella seguirá con nosotros.

Estamos tristes de decirle adios a Tina Sherman, nuestra Youth Life Skills VISTA. Ella estará trabajando y en búsqueda de conseguir su Maestría. Nos gustaría informarle que Jack está trabajando en la oficina de Westcott St. a excepción de los viernes que es cuando regresa a Southwest, usted puede llamarlo a la ext.212. Por otro lado, Patricia está trabajando en la oficina de Southwest de Lunes a Jueves, donde usted puede acudir si necesita servicio en español, abrir una cuenta, presentar aplicaciones de préstamos, revisar su reporte de crédito, coordinar programa pagos, o simplemente si tiene alguna pregunta. Le invitamos a que la visite o la llame marcando el 5 dentro del menú telefónico principal de la Cooperativa de Crédito. Muchas felicitaciones para Kena por su graduación de la Universidad de Syracuse, ella recibió su título universitario en Relaciones Internacionales con especialización en Economía Política Global.

Traducido por Patricia

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Llame a Leyanis a la ext. 213 o Maribel ext. 241 si usted estará viajando. Buen Viaje.



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