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## Media Advisory

FOR IMMEDIATE RELEASE

### Fryzel Unveils Homeowners and Credit Union Assistance Programs

December 9, 2008, Alexandria, Va. -- National Credit Union Administration Chairman Michael E. Fryzel today provided details on the Credit Union Homeowners Affordability Relief Program (CU HARP), unveiled in November, and a complementary program to provide contingent liquidity for the credit union system, the Credit Union System Investment Program (CU SIP). Both initiatives utilize NCUA's Central Liquidity Facility (CLF).

CU HARP is designed to lower monthly mortgage payments for struggling low- and moderate-income credit union members. CU HARP will help credit unions modify mortgage terms to assist delinquent borrowers or borrowers facing undue hardships. By lowering interest rates on first mortgages, credit unions will reduce the likelihood of mortgage defaults. CU HARP gives credit unions six months to modify loans. NCUA examiners and participating state regulators will verify benefits are provided to eligible homeowners.

CU HARP enables CLF to provide advances to eligible credit unions to invest in a CU HARP Note guaranteed by the National Credit Union Share Insurance Fund (NCUSIF). The note will provide up to a 1 percent bonus over the CLF advance rate. Credit unions will be required to match the bonus and thereby provide up to 2 percent in mortgage rate relief for homeowners.

Corporate credit unions will act as agents for the CLF taking subscriptions for CU HARP participation through December 19, 2008. CLF will commence funding the program January 2, 2009, for up to \$2 billion. NCUA estimates CU HARP will provide interest rate relief to 10,000 households.

CU HARP has specific targets for rate relief. Key program requirements include:

- Target payment-to-income ratio of 31 to 38 percent;

- Minimum mortgage interest rate of 3 percent;
- Maximum household income of 150 percent of medium income for the ZIP code; and
- Verified owner occupied residence.

CU HARP will be available only for existing first mortgages held by a participating credit union or originated and serviced by a participating credit union.

CU SIP is designed to complement CU HARP by enabling the CLF to lend to credit unions to invest in NCUSIF guaranteed notes, the proceeds of which will be used to retire external system debt. The program will free collateral pledged by corporate credit unions and thereby provide increased contingent borrowing capacity.

CU SIP will be funded on a monthly basis from January through June of 2009. The NCUSIF guarantee is provided under the Temporary Corporate Credit Union Liquidity Guarantee Program announced in October. The program guarantees senior corporate credit union debt for a 75 basis point fee.

Access CU HARP and CU SIP term sheets online at: [click here](#).

Access CU Harp and CU Sip Diagrams at: [Harp diagram](#) and [Sip diagram](#).

Both CU HARP and CU SIP will cost taxpayers nothing. Credit unions will repay CLF with interest and each CLF advance will be fully secured by a NCUSIF guaranteed CU HARP Note or CU SIP Note, plus a first priority security interest in other assets of participating credit unions.

“As I have stated previously, I want to use all tools at my disposal to address the difficulties that the larger market problems are presenting for the credit union industry. These new initiatives represent an important avenue for credit unions: both CU HARP and CU SIP employ the existing CLF channel and direct liquidity where credit unions and their members need it most. I encourage credit unions to use these programs constructively as they work through these difficult times.”

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 89 million account holders in all federal credit unions and the majority of state-chartered credit unions.

