

The CMG MI Home Preserver Update for Credit Unions

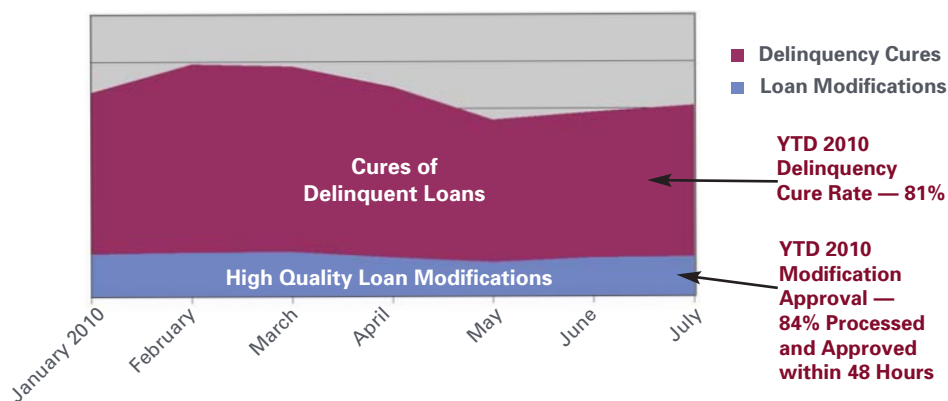


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Welcome to the Home Preserver — your update on loss mitigation and loan workout efforts by CMG Mortgage Insurance Company.

The *Home Preserver* gives Credit Unions a quick snapshot on CMG MI's progress in helping you prevent foreclosure and manage delinquencies, plus tips on how to work with Members in distress and valuable "true stories" from Credit Unions that have had success in this area.

CMG MI HOMEOWNERSHIP RETENTION WORKOUT APPROVALS



CMG MI Continues to Champion Home Preservation through Proactive Loss Mitigation Support

Delinquencies diminished in the first part of 2010, although recent data show that the nation's economic recovery has slowed and the weak housing market may continue to see more delinquencies. CMG MI is still committed to supporting Credit Unions in keeping members in homes through our CU HomeKeepers program.

Washington State Employees Credit Union Shares Its Secrets of Success for Loss Mitigation

Based in Olympia, WA, Washington State Employees Credit Union (WSECU) is taking a proactive and holistic approach to tackling delinquencies. Loss Mitigation Supervisor John Davies and Underwriter Dave Bills share their success story with *Home Preserver* readers.

Q. When did WSECU begin its loss mitigation special effort?

A. Formerly, when delinquencies were comparatively rare, first-mortgage loss mitigation was formerly handled under WSECU's Member Solutions effort. When we began to experience the effects of the economic recession, WSECU's management wanted to reassess the situation.

Our decision was to form a specialized department for first-mortgage loss mitigation, based on two key factors:

- 1) We service a substantial number of first-mortgage loans
- 2) A proactive approach and the creation of a new team is necessary to

concentrate exclusively on the challenges presented by this specific loan portfolio

Q. What were the key problems that needed to be addressed?

A. There were some issues we had not previously considered, or that required a better solution when we took a longer look at them. Ultimately, our agreed-upon goals were to:

- Develop a predictive analysis for all of our mortgage loans to help us intervene prior to a delinquency occurring
- Create tactics to help reduce early delinquency
- Identify underwriting concerns and create a feedback mechanism with mortgage operations to help with future delinquency
- Devise a calculator that accurately reflected the market conditions, the collateral condition and value, in order



John Davies

Dave Bills

to obtain a realistic gain/ loss on a potential real-estate-owned (REO)

- Develop strategies to minimize losses on REOs
- Employ tactics that would reinforce our member-friendly reputation — that we served member needs best

Q. Were there any issues unique to your region?

A. Even though we have a very strong member demographic, we lend over a fairly diverse geographic region of Washington, Oregon and Idaho, all of which have very different economies.

You might think that this means we have had to take different approaches in each

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Washington State Employees Credit Union Shares Its Secrets of Success for Loss Mitigation (cont'd)

state to be effective with our Loss Mitigation efforts. Actually, we have found that this isn't true. Our ongoing theme of "doing our best to help our members" works well regardless of where members are located, or the nature of their particular situation.

Q. How did you develop your strategy?

A. First, we looked at our Brand Promise: "We promise our members the friendliest, most efficient financial services, quickly and conveniently. We value our members' time, money, and dreams. Most of all, we value our relationship with each of them. In everything we do, we are dedicated to Making Our Members' Lives Easier."

When we kept this in mind, it was easier to maintain the effectiveness of our collaborative effort within the Loss Mitigation Department. It is still a work in progress; we do our best to be nimble with our strategies and deliver world-class service. We know we have to continue to adapt to market and economic conditions, and understand how our members' personal financial situations are affected by them.

Q. What changes did your CU make to its departments, processes or teams in order to manage delinquencies successfully?

A. It was a comprehensive change. We created an entirely new department, with dedicated personnel solely for first-mortgage loss mitigation, all new policies, and procedures. This necessitated education, training, and ongoing participation in new areas of awareness, as well as a very large commitment on the part of Senior Management, to accomplish it in a short period of time.

Q. What do you think was key to the success of your effort?

Several factors have worked to create our Loss Mitigation success:

- 1) Staffing with individuals experienced in mortgage and loss mitigation, which enable them to work together as a close-knit team. It creates the type of synergy essential to our success.
- 2) Early participation in HAMP (Home Affordable Modification Program)
- 3) Early intervention with members whom we believe are going to face serious financial challenges
- 4) Using a consistent, reasonable approach to attempt to help members who are having or could potentially have a problem with their financial situation.

Q. How many members were you able to help?

A. The results are ongoing but we have completed 60 HAMP modifications. There are currently 17 in trial status, 16 more in process. A total of 33 HAMP applications were sent out and 18 received for processing during the month of July.

We have also completed over 50 of our own modifications, made pickup payment arrangements that are working for 20-plus members, and entered into 16 payment reduction plans to give some members relief until their situation improves. That doesn't include our everyday counseling to assist members with debt consolidation and debt management.

Q. How does your CU measure success?

A. Primarily by the number of foreclosures prevented, which we believe numbers more than 150 and counting. Our HAMP modification process has had an unbelievable success rate in that none of the modified loans has yet defaulted.

We believe this is primarily due to our prequalification approach, which was conservative in that we verified

all information before offering a modification.

Q. What are your plans for this effort going forward?

A. We plan to continue with a heightened Loss Mitigation campaign during the current economic cycle and through the recovery phase. We do intend to continue to refine and improve on our tactics and processes we employ. We believe in continuous improvement at WSECU, and something as new as the Loss Mitigation Department certainly presents an opportunity to try for new and better ways to serve our members' needs.

CMG MI's Take

CMG MI's Claims and Customer Service Manager, Chris Eckenroad, confirms that WSECU's efforts are having a positive impact:

"WSECU has a modest delinquent inventory, one of the lowest delinquency rates for our larger Credit Unions. Their loan modifications completed in 2009 and 2010 with CMG MI remain current, performing loans, with no re-defaults.

"Only two additional Notices of Delinquency from WSECU have been added so far in 2010, a very good sign regarding the effectiveness of their home preservation program.

"WSECU has also set up an automated delinquency report format, or ADR, to increase their efficiency and accuracy in handling delinquency reporting.

Send your feedback to John at jdavies@wsecu.org and Dave at dbills@wsecu.org.

Do you have a success story on loss mitigation to share with other Credit Unions through the Home Preserver? Send an e-mail to Marisa Rawling, Marketing Communications Manager of CMG MI, at marisa.rawling@cmgmi.com.

Do you have Members confused about their options when it comes to loan modification? Encourage them to watch our video, "Navigating the Home Affordable Modification Program" at www.cmgmi.com/lossmitvideo, for a good introduction to the process, eligibility, and the types of modifications available.



CMG Mortgage Insurance Company
A Joint Venture between PMI Mortgage Insurance Co. and
CUNA Mutual Insurance Society
CMG MI. More Than MI.

Mortgage Insurance Panel's White Papers Offer Loss Mitigation Guidance

Understanding how to effectively manage delinquencies has become an essential skill for Credit Unions. The Mortgage Insight Panel, sponsored by CMG MI and comprising Credit Union leaders from across the nation, has issued two new White Papers to provide guidance on this important topic.

Visit www.cmgmi.com/mortgageinsightpanel to access these valuable resources, created by Credit Unions to help Credit Unions: *Loan Modification vs. Loan Refinance* and *Success Stories on Loss Mitigation*. Download the White Papers from the site at your own convenience and share them with other members of your *team!*

Feel free to provide feedback on these White Papers by sending an e-mail to tanja.sattler@cmgmi.com.



Planning a Short Sale for a CMG MI-Insured Property?

Please Contact CMG MI for Approval

CMG MI is eager to work with Credit Unions on appropriate loss mitigation solutions for their CMG MI-insured properties.

It's important that Credit Unions contact CMG MI before executing a short sale or a deed-in-lieu. Your **CMG MI Master Policy requires prior approval** by our company in order for you to proceed.

The CMG MI Loss Mitigation team is ready and waiting to talk to you! Contact them at (800) 909-4264 to discuss any prospective short sales or deeds-in-lieu in order to obtain CMG MI approval. This will facilitate a smoother process for your Credit Union, in compliance with the terms of your CMG MI Master Policy.



CMG MI Supports "Homeowner's Help for Hardest Hit"

In August 2010, housing finance agencies in 17 states received \$3 billion from the U.S. Treasury, earmarked to help distressed homeowners in 17 states and the District of Columbia:

- Alabama
- California
- Florida
- Georgia
- Illinois
- Indiana
- Kentucky
- Michigan
- Mississippi
- Nevada

- New Jersey
- North Carolina
- Ohio
- Oregon
- Rhode Island
- South Carolina
- Tennessee
- (Washington, D.C.)

Five of the states (North Carolina, Ohio, Oregon, Rhode Island, South Carolina) received additional funds in view of their very high unemployment rates.

The goal of "Homeowner's Help" focuses on assisting unemployed

homeowners, those whose homes are "under water" in terms of debt, and homeowners dealing with second mortgage problems. Credit Unions will need to apply to their respective state housing authorities to be eligible for funds to help members in distress.

Our Underwriting Network staff are trained to help guide modification and refinance requests to a successful close in nearly all circumstances. Temporary payment relief and payment plans on CMG MI-insured loans do not require submission to CMG MI.

CMG MI appreciates that claims are a critical concern for Credit Unions. As a private mortgage insurer, we are in the business of paying claims and take our responsibility very seriously. We're eager to help the Credit Unions we work with to achieve a satisfactory conclusion to their claims requests. Call us today with your questions and concerns about claims – we're ready and waiting!



CMG Mortgage Insurance Company
A Joint Venture between PMI Mortgage Insurance Co. and
CUNA Mutual Insurance Society
CMG MI. More Than MI.