



## Michigan foreclosure expert testifies in state Senate

LANSING, Mich. (4/30/09)--In his second appearance before the Michigan Senate Banking and Financial Institutions Committee, Robert Manning, Ph.D., from the Rochester Institute of Technology, shared findings in his continuing work on Michigan's foreclosure crisis and pointed out the opportunity for credit unions as a solution.



Robert Manning, Ph.D., briefed the Michigan Credit Union League's Governmental Affairs Conference Wednesday on his research about the foreclosure crisis in Michigan. He also briefed the Michigan Senate Banking and Financial Institutions Committee on the research, conducted for the Filene Research Institute and commissioned by the Michigan Credit Union Foundation. (Photo provided by the Michigan Credit Union League)

Dr. Manning's presentation Wednesday focused on solutions that work in the shared interests of lenders and borrowers and that would ultimately create new confidence in the mortgage system.

"For homeowners, the most important step is to be able to build wealth through increasing the equity in their home," Manning said. "Vital for all involved parties is rebuilding trust in the homeownership system--specifically that home values are not inflated and the ratings on mortgage-backed securities and other securities are valid. There is an opportunity for credit unions and borrowers to benefit through a shared equity program." Much of the talk focused on problems that will persist if housing prices continue to operate with a soft floor, meaning that instability in the system will leave both homeowners and mortgage lenders without a sense of the true value of their property. Manning recommends a compromise that redistributes the incentives to keep financial institutions and mortgage holders invested in maintaining the property. He uses a shared-equity approach to spread the risk and incentive between the lender and borrower. Senators, including committee chair Sen. Randy Richarville (R-Monroe), were engaged in the presentation and lent their support to continuing the dialogue between legislators, financial institutions and homeowners. The group agreed that the situation would not solve itself in the short-term, and that the best solutions would involve stabilizing housing prices and giving all parties incentives to avoid foreclosure.

Among the points he made are that credit unions are much more likely than other financial institutions to hold mortgages rather than selling them on the secondary market, and that credit unions can be leaders by taking advantage of shared equity, a program that avoids large write-downs that accompany foreclosures and cramdowns and that significantly reduce the principal of a loan.

The Filene Research Institute study conducted by Dr. Manning was commissioned by the Michigan Credit Union Foundation. The study is entitled "Keeping People in Their Homes: Policy Recommendations for the Foreclosure Crisis in Michigan."

Resource Links

[Keeping People in Their Homes: Policy Recommendations for the Foreclosure Crisis in Michigan](#) -

Copyright © 2008 - Credit Union National Association, Inc. All rights reserved.  
Reproduction is prohibited without written consent.