

Phil Greer

Good morning. I also would like to thank the Federal Reserve for providing me the opportunity to participate in this hearing on the Home Mortgage Disclosure Act. My name is Phil Greer. I serve as Senior Vice President of Loan Administration for the State Employees' Credit Union in Raleigh, North Carolina. State Employees' Credit Union proudly serves 1.6 million members in North Carolina composed primarily of public school and state employees and their families. We have 232 branches throughout the state of North Carolina with assets of 21 billion, with--and with an excess of 13.6 billion outstanding in loans. We typically grant around 15,000 personal mortgage loans each year, representing proceeds of to two to two and a half billion dollars. We are primarily a portfolio lender, and 90 percent of our originations are adjustable rate mortgage loans, using a product that we developed in 1993 is a very member-friendly adjustable rate loan. We presently serve as about 100,000 first mortgage loans representing 11.4 billion dollars. Credit unions are not for profit cooperatives with no greater purpose than serving their membership with appropriate deposit and loan programs. While the State Employees' Credit Union is the second largest credit union in the country, we've never had growth as a goal in our business plan. Our goal has always been focused on service with growth merely being a byproduct. From that perspective, discrimination in the access to our services is simply not acceptable, our staff of over 4,000 employees knows full well that all members are to be treated equally and with respect, and exceptions are not tolerated. And I believe that this attitude is found throughout the entire credit union industry. The home mortgage disclosure act has helped ensure that consumers receive fair access to credit in the real estate arena. Discriminatory practices that may have existed in the early 70's and the 60's, in my opinion, have been eliminated for the most part. The fact is--excuse me--this fact is tremendously important because home ownership is widely accepted as the single-most important tool in building wealth in the United States, and home owners become better citizens in the communities in which they reside. It is essential that we continue to protect fair and equal access to mortgage credit. Over the past few years, the subprime mortgage debacle has allowed us to see discrimination has actually morphed into a different beast, where lenders once redlined areas of minority residence as areas to avoid, think very clearly that subprime lenders redlined areas of minority concentration as targets for the origination of mortgage loans. This new redlining has provided results that are perhaps more heinous than the historical redlining practice. In the past two years, African-Americans and Hispanics have perceived proportionally larger shares of subprime mortgages with costly fees and prepayment penalties than have the white community. Foreclosures in minority segments of our population have occurred at a much higher rate than in the white community, and regretfully, the discriminatory practices of subprime lenders, I think, remained below the radar of the data. One may assign to blame for subprime issues on a number of guilty parties. I don't believe that there is any one guilty party, or rather a combined greedy reaction by many, has resulted in a travesty. For millions of consumers who are honest but lacked wisdom, we must revise HMDA in matter that will make discriminatory practices more transparent. Before closing, I feel compelled to speak briefly on ARM's. Quite often, the whipping board [press] traditional ARM's, as well as some proprietary ARM programs, like the State Employees' Credit Union, are not the problem. In fact, in the past decade, consumers have benefited as interest rates have declined when they have had an ARM loan. Properly structured and placed, ARM's can be a good product for both the lender and the consumer. However, ARM's like the prepayment option ARM--excuse me--the payment option arm improperly

placed interest only ARM's and largely unrestricted ARM's like the 228 have wreaked own consumers throughout the country. Thank you.