



**America's
Credit Unions**

Jim Nussle
President & CEO
202-508-6745
jnussle@americascreditunions.org

99 M Street SE
Suite 300
Washington, DC 20003

April 16, 2024

The Honorable Tina Smith
Chairwoman
Committee on Banking, Housing,
and Urban Affairs
Subcommittee on Housing, Transportation
and Community Development
United States Senate
Washington, DC 20510

The Honorable Cynthia Lummis
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
Subcommittee on Housing, Transportation,
and Community Development
United States Senate
Washington, DC 20510

Re: Today's Hearing: "Challenges in Preserving the U.S. Housing Stock"

Dear Chairwoman Smith and Ranking Member Lummis:

On behalf of America's Credit Unions, I am writing regarding the Subcommittee's hearing entitled, "Challenges in Preserving the U.S. Housing Stock." America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their nearly 140 million members nationwide.

America's Credit Unions appreciates the Subcommittee holding this hearing on the housing market and how supply-side issues impact the affordability of homeownership. As not-for-profit consumer-owned financial cooperatives with a statutory mission to promote thrift and provide access to credit for provident purposes, credit unions recognize that homeownership can be a financial goal that is out of grasp for many Americans, particularly low-income households, and households of color. Credit unions across the country remain committed to their mission of furthering financial inclusion for disproportionately underserved communities seeking to achieve the American Dream of homeownership.

During the past economic and financial crises, credit unions have stood out with their focus on mission, and they have continued lending to help members navigate through tough times while banks were more concerned with preserving capital. Credit unions advance financial inclusion and access by locating roughly 70 percent of credit union branches are in racially/ethnically diverse areas compared to roughly 60 percent of bank branches.¹ Congress can support credit unions' efforts to encourage homeownership in several ways.

Expanding Field of Membership to Empower Credit Unions to Serve More Communities

¹ NCUA, FDIC, and U.S. Census, University of Wisconsin, Applied Population Lab and America's Credit Unions analysis and calculations.

One of the most important things that Congress could do to promote financial inclusion and ensure that access to financial services is equitable would be to ensure that federal law permits all federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. If the policy goal is to ensure that all have access to affordable financial services, then the policy should not restrict a subset of member-owned, not-for-profit financial institutions from providing service to these communities. We look forward to engaging with the Subcommittee to develop legislative solutions, such as expanding the ability for all credit unions to add underserved areas, to improve access to housing and reduce gaps in homeownership rates.

Affordable Housing and Community Development Financial Institutions (CDFIs)

Over 500 credit unions across the country are CDFIs. These designated institutions serve people and small businesses that are the first to feel the real-world effects of a missed paycheck or a cancelled order or contract. Credit union CDFIs are critical to addressing issues of housing affordability for communities in need. Many CDFIs offer low-interest rate mortgages with flexible underwriting, invest in the development of high-quality, energy-efficient homes, and innovate in affordable housing preservation and creation.

The CDFI Fund and the Community Development Revolving Loan Fund (CDRLF) are important programs that facilitate credit unions' improving their members' financial well-being and advancing their communities. In FY 2024, Congress appropriated \$324 million and \$3.465 million, respectively, for these two important funds, and we continue to support these programs in future appropriations legislation. We would also urge passage of S. 2674, the CDFI Fund Transparency Act, which would help ensure that there is an annual hearing on CDFI related issues.

Enhancing Federal Housing Finance Agency (FHFA) Policies to Increase Homeownership

The rates offered by credit unions help make homebuying more affordable in challenging times, which emphasizes the crucial role they play in making homeownership more accessible and affordable for a broader spectrum of Americans, especially those who may face challenges in obtaining favorable loan terms from for-profit financial institutions. Comparatively lower rates, however, only relate to one aspect of affordability for the American consumer in the single-family market. Government policy can impact affordability as well. We have urged FHFA to examine their policies to improve the affordability of mortgages, such as discounting, or eliminating, guarantee fees for credit unions selling loans to government-sponsored enterprises (GSEs) for certain borrowers and the high-quality, low-risk mortgages that credit unions originate.

We also appreciate the FHFA's commitment to fostering liquidity in the mortgage markets and ensuring equitable access to the secondary market by qualified institutions and borrowers. However, there are more opportunities available to the GSEs to further close the racial homeownership gap and ensure that government-sponsored programs are benefiting the

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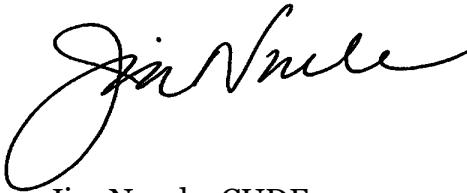
Page 3 of 3

individuals and communities that most need them. For example, we continue to encourage the FHFA to require the GSEs to establish programs for low- or zero-down payment mortgage loans that help borrowers build wealth. Such programs, along with additional programs targeted toward buying mortgages from CDFIs would go a long way to help underserved borrowers and first-time homebuyers achieve homeownership while allowing credit unions to better support their communities. Collectively, such programs will go a long way in closing the racial homeownership gap and making housing more affordable.

Credit unions support legislation and policy decisions that would increase the supply of safe, affordable, and reasonably resilient housing, including efforts to make it easier for homebuilders and homebuyers to use manufactured housing to reduce the housing shortage, among other potential reforms being discussed by the Subcommittee in this hearing today.

On behalf of America's Credit Unions and the 140 million credit union members, thank you for holding this important hearing and considering our views on the subject.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning.

Jim Nussle, CUDE
President & CEO

cc: Members of the Subcommittee on Housing, Transportation, and Community Development