



**America's
Credit Unions**

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99 M Street SE
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April 18, 2024

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Re: Today's Hearing: "Oversight of Federal Housing Regulators"

Dear Chairman Brown and Ranking Member Scott:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Oversight of Federal Housing Regulators." 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.

Credit unions provide a vital partnership in helping the Federal Housing Finance Agency (FHFA) achieve its housing mission and goals. Credit unions are member-owned, not-for-profit financial cooperatives with a statutory mission "to meet the credit and savings needs of consumers, especially persons of modest means." Credit unions are essential to FHFA's mission of fostering housing finance markets that promote equitable access to affordable and sustainable housing.

During 2023, credit unions originated \$105 billion in first-lien mortgages, and they sold more than 25 percent of those mortgage loans into the secondary market.¹ Therefore, credit unions have a considerable interest in ensuring that the FHFA-regulated entities, which include the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (collectively, the Government-Sponsored Enterprises or GSEs) and the Federal Home Loan Bank System (FHLBanks), operate effectively and efficiently and satisfy their core missions to benefit low- and moderate-income borrowers and communities.

Equal Access to the Secondary Market and Fee Transparency at FHFA

America's Credit Unions has continuously championed that the housing finance system must ensure that lenders of all sizes have equal access to the secondary mortgage market. Moreover, the GSEs "must be subject to appropriate regulatory and supervisory oversight to ensure safety and soundness, for example by ensuring accountability, effective corporate governance, and

¹ National Credit Union Administration (NCUA) 2023 Credit Union Call Report Data; America's Credit Unions analysis.

preventing future fraud; they should also be subjected to strong capital requirements and have flexibility to operate well and develop new programs in response to marketplace demands.”

To address equal access in a safe and sound manner, FHFA announced changes to the GSE guarantee fee pricing in 2022 and 2023. Those changes included the debt-to-income (DTI) ratio based upfront guarantee fee that would have applied to certain loans with DTI ratios above 40 percent. We applaud FHFA’s decision last year to rescind that DTI ratio-based upfront fee because many credit unions and other industry stakeholders voiced serious operational concerns about the fee. While we support appropriate oversight to ensure that the GSEs are operating in a safe and sound manner, any change to the single-family pricing framework, including any change to guarantee fees, requires transparency and industry engagement. America’s Credit Unions looks forward to working with FHFA and other industry stakeholders to provide feedback about the GSE single-family pricing framework and hopes that FHFA continues to solicit input from the industry about potential changes to Enterprise pricing that could adversely affect lenders and borrowers.

Partnering with FHLBanks for Enhanced Member Service

Access to the FHLBanks is also top of mind for credit unions. The FHLBanks serve as critical sources of liquidity for their respective members and offer several beneficial programs to their respective members, including, but not limited to, the Affordable Housing Program (AHP), the Community Investment Program, and the Community Investment Cash Advance Program, among others.

During FHFA’s comprehensive review of the FHLBanks last year, some of the public listening sessions included discussions about potentially conditioning access to the FHLBanks or limiting use of the funds for mortgage lending and community investment. These potential limitations would reduce credit unions’ ability to help their members achieve their affordable housing goals. Affordable housing is a shared goal for credit unions, however, that goal of homeownership is best attained through an integrated approach to financial well-being and stability. This requires balancing the overall affordability and credit access to multiple products and services that consumers need in their daily lives alongside tailored, responsive counseling that meets individual needs. Making loans of any type to members that represent more risk on paper requires flexible access to liquidity. Credit unions report that they currently rely heavily on the FHLBanks for that flexible access.

Where FHFA is concerned with the safety and soundness of the FHLBanks, it should address non-depository financial institutions seeking membership that do not have any oversight from state or federal regulators. FHFA should ensure only those organizations that have a structural commitment to the FHLBanks’ mission and operate under appropriate monitoring and licensing, such as credit union service organizations (CUSOs), are given access to the FHLBank System.

Finally, it is critical that the FHLBanks operate in a financially safe and sound fashion to serve primarily as a source of liquidity for the housing finance system. This focus must be maintained, even as other programs are instituted to address larger systemic issues in our housing finance system, such as the lack of affordable housing. Any newly allocated funding or newly created programs should first require a careful assessment of the potential collateral impact on the balance sheets of the FHLBanks and the bank system as a whole.

Ensuring Financial Inclusion and Home Ownership

Credit unions were created to offer provident credit to their communities, and this organizing principle helps to explain the prevalence of robust relationship lending models across the industry. As cooperatives that are directly accountable to their member-owners, credit unions are focused on developing long-lasting, trusted relationships—an interest that is best served by adhering to core principles of equality and fairness.

Credit unions believe in supporting their members and their communities by creating products and services designed to suit member needs, including the underserved. Credit unions have long had a history of rent-to-own programs; first time homeowner programs; and financial literacy and wealth building programs to assist millions of Americans on their path to financial well-being. Data consistently shows that credit unions are at par or exceed our for-profit counterparts in the financial services marketplace.

That said, credit unions understand that a significant gap remains in access to housing for moderate- to low-income and minority members. Credit unions are working to close this gap. Our members will continue to serve their members and work to improve their communities by furthering financial inclusion.

Affordable Housing and Community Development Financial Institutions (CDFIs)

America's Credit Unions appreciates 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 that can further close the racial homeownership gap and ensure that government-sponsored programs are benefiting the individuals and communities that most need them. For example, we have encouraged the FHFA to consider pilot programs for low- or zero-down payment mortgage loans that help borrowers build wealth. The FHFA should require the GSEs to launch such pilot programs and consider additional programs targeted toward buying mortgages from CDFIs, as this will 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.

Additionally, we greatly appreciate FHFA's recent announcement for a symposium with CDFIs. It is critical that FHFA continue to engage and serve as a convener for diverse types of financial

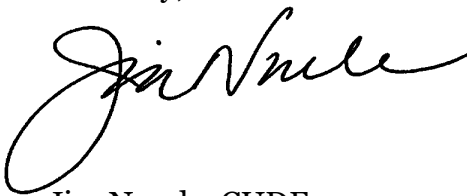
institutions to share strategies that aim to address issues in providing affordable housing and community development to areas of the country in need.

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

Finally, credit unions cannot overstate the beneficial impact that modernizing field of membership (FOM) restrictions would have on our abilities to better serve minority and disadvantaged populations. We look forward to engaging with the Committee 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.

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 Committee on Banking, Housing, and Urban Affairs