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National Association of Federally-Insured Credit Unions

B. Dan Berger
President & Chief Executive Officer

April 2, 2021

The Honorable Dr. Mark A. Calabria
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

RE: Recent Amendments to the Preferred Stock Purchase Agreements

Dear Director Calabria:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing to you regarding the Federal Housing Finance Agency's (FHFA) recent amendments, in conjunction with the Department of Treasury (Treasury), to the Preferred Stock Purchase Agreements (PSPAs) and the impact on credit unions' ability to provide Temporary Government-Sponsored Enterprises qualified mortgages (Temporary GSE QM or "GSE Patch"). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 124 million consumers with personal and small business financial service products. The GSE Patch has been a key factor in credit unions' ability to lend to members in their communities, especially those of low- and moderate-income, to help them achieve homeownership. NAFCU urges the FHFA to work with the Treasury to monitor the market as we continue to weather the COVID-19 pandemic. Additionally, NAFCU urges the FHFA to make necessary adjustments to the PSPAs for credit unions to utilize the GSE Patch until October 2022 to align with the Bureau of Consumer Financial Protection's (Bureau or CFPB) proposed rule.

As you are aware, the GSE Patch was set to expire on July 1, 2021 and the Bureau issued a notice of proposed rulemaking to extend the mandatory compliance date of the General QM definition under the *Truth in Lending Act* (TILA) for 15 months[1]. As a result, credit union lenders may utilize the new average prime offer rate (APOR)-based QM definition, the previous debt-to-income (DTI)-based General QM definition, and the GSE Patch. The delay of the mandatory compliance date allows the GSE Patch to continue until October 1, 2022. NAFCU is supportive of the proposal's extension of the GSE Patch to minimize market disruptions and allow credit unions to serve members who may have limited access to credit and may only be able to acquire an affordable mortgage under the GSE Patch. However, the recent amendments to the PSPAs may limit the utility of any GSE Patch extension that is ultimately finalized by the Bureau and may materially impact credit unions' ability to serve their members.

[1] Qualified Mortgage Definition Under the Truth in Lending Act (Regulation Z): General QM Loan Definition; Delay of Mandatory Compliance Date, 86 Fed. Reg. 12839 (March 5, 2021).

Pursuant to the amended terms, after July 1, 2021, the PSPAs limit the GSEs to acquiring loans defined as QMs by section 1026(e)(2), (5), (6), (7), or (f). In practical terms, this means the GSEs may only acquire GSE Patch loans before July 1, 2021, or the previous date on which the GSE Patch was set to expire. NAFCU remains concerned about the adverse impacts of the expiration of the GSE Patch given that many credit unions sell their loans to the GSEs and the number of credit unions that reported the expiration would have a “material” impact on their institution.

Credit unions provide more lending to low- and moderate-income earners at every DTI level, in part, because of their ability to utilize the GSE Patch. According to NAFCU’s 2020 *Federal Reserve Meeting Survey*, respondents reported that 61 percent of their outstanding mortgages qualified to be sold to the GSEs as of June 2020. This eligibility was slightly higher than in 2019. In addition, 19 percent of respondents indicated the expiration of the GSE Patch would have a material impact on their credit union. As such, NAFCU urges the FHFA to continue monitoring the mortgage market work with the Treasury to amend the PSPAs to allow the GSEs to continue purchasing mortgages under the GSE Patch until the proposed October 2022 expiration date. To enhance monitoring of the market, the FHFA should expand access to the National Mortgage Database (NMDB) for market participants. Access to the NMDB would provide timely information related to accessing credit and may assist credit unions in developing mortgage products.

NAFCU appreciates the opportunity to share its members' views on this matter. NAFCU asks that the FHFA continue to monitor the market and make changes to the PSPAs as necessary. Should you have any questions or require additional information, please do not hesitate to contact me or Kaley Schafer, Senior Regulatory Affairs Counsel at (703) 842-2249 or kschafer@nafcu.org.

Sincerely,

B. Dan Berger
President & CEO

Cc: Secretary of the Treasury, Janet Yellen