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National Association of Federally-Insured Credit Unions

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**FHFA Public Listening Session: Closing the Gap to Sustainable Homeownership
Remarks from Monica Belz, President and CEO at Kaua'i Government Employees FCU**

Good Afternoon and Aloha,

My name is Monica Belz and I am the President and CEO of Kaua'i Government Employees Federal Credit Union. We are a Native CDFI (Community Development Financial Institution), MDI (Minority Depository Institution), and a low-income designated financial institution in rural Hawaii. I am here on behalf of NAFCU, the National Association of Federally-Insured Credit Unions.

NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 125 million consumers with personal and small business financial service products. NAFCU members provide access to mortgage credit for many of the nation's minority and underserved communities and stand ready to help their communities in any way possible. In order to continue providing this access and maintain liquidity, credit unions must have unfettered access to the secondary mortgage market using Fannie Mae and Freddie Mac, the government-sponsored enterprises (or GSEs).

Credit unions play an important role in the housing market to help consumers—especially low-income borrowers—afford mortgages. NAFCU supports the GSEs' role as a market-maker in the secondary mortgage market and has previously encouraged the FHFA to consider pilot programs for low- or zero-down payment mortgage loans that help borrowers build wealth, such as the Wealth Building Home Loan (WBHL), as developed by the American Enterprise Institute.

These types of loans are especially helpful for very low- and low-income borrowers and should be supported by the FHFA and the GSEs as part of an overall strategy to support affordable, sustainable homeownership. A pilot program would help to develop a secondary market for these types of loans, which would, in turn, help credit unions make more of these loans to support their communities. NAFCU again reiterates its support for products like this that encourage wealth building among the communities most in need.

On Kaua'i, we have no ethnic majority. The backbone of our community are our local families who run small businesses, work in agriculture, and often hold 2-3 jobs in our tourist dependent economy in order to live paycheck to paycheck. The median single family home price is \$1 million. The median income for a single adult in Hawaii is \$35,000 a year. The cost of living on Kaua'i continues to rise due to systemic factors- for example, we import over 80% of our food. Our vulnerable communities who are at a distinct disadvantage and experience the largest homeownership gaps include native Hawaiians, minority families, single mothers, and our growing low- and moderate-income households. Financial instability continues to plague our community

NAFCU urges the FHFA to work to develop opportunities to promote affordable housing options and loan structures that can assist in reducing the homeownership gap and help to build generational wealth, such as the wealth building home loan. The FHFA should also encourage the GSEs to offer incentives to lenders to participate in such programs to encourage growth in this market and help and develop a vibrant secondary market for such loans.

Furthermore, regulators must ensure that credit unions and community based financial institutions have access to the secondary mortgage market. An efficient and adequately regulated secondary market is essential to providing affordable mortgages to minority communities. Access to this market is an important, reliable source of capital for lenders and therefore consumers. Without this access, interest rates would be unaffordable for many Americans, including those in low- and moderate-income communities and areas with little to no access to financial institutions. A poorly functioning secondary market impedes growth in the primary mortgage market and the economy, resulting in a widening disparity between racial and socio-economic shares in homeownership. Without options for community lenders like credit unions to sell their mortgage loans to obtain much-needed liquidity to continue making loans to their members, the credit unions and the communities they serve will suffer.

According to NAFCU's 2020 Federal Reserve Meeting Survey, 19 percent of respondents indicated that the expiration of the GSE Patch would have a material impact on their credit union. With the impending expiration of the GSE Patch on July 1, 2021, the CFPB has delayed the mandatory compliance date to allow the GSE Patch to continue until October 1, 2022. The FHFA should amend the PSPAs to allow the GSEs to acquire GSE Patch loans until the expiration in October 2022, to permit credit unions to better serve more of their members and provide additional time to adjust to the final rule.

On Kaua'i, our CDFI is working tirelessly to help our underserved communities achieve the dream of homeownership. We meet with vulnerable communities every day, many who feel hopeless. We need help to close the homeownership gap among these minority and low-income communities.

In closing, NAFCU and the credit union community support affordable housing and increasing homeownership among minority and low- to moderate-income communities. We look forward to working with the FHFA and the GSEs to help all members of our communities thrive and achieve homeownership. I thank you for your time today and for the opportunity to present on behalf of NAFCU.