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National Association of Federally-Insured Credit Unions

October 21, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing: "The End of Affordable Housing? A Review of the Trump Administration's Plans to Change Housing Finance in America"

Dear Chairwoman Waters and Ranking Member McHenry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in regard to tomorrow's hearing, "The End of Affordable Housing? A review of the Trump Administration's Plans to Change Housing Finance in America." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 118 million consumers with personal and small business financial service products. NAFCU has long advocated for housing finance reform because the current conservatorship of the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, is unsustainable in the long term and we are pleased to see the Committee's continued focus on this issue. The recent plans from the Administration, including the U.S. Department of the Treasury, serve as an important step in the Housing Finance Reform debate, but more work remains, as legislative guarantees are essential for credit unions' continued access to the secondary market.

NAFCU's Housing Finance Reform Principles recognize the importance of a strong, independent regulator for the GSEs, and NAFCU supports some of the recent steps taken by Federal Housing Finance Agency (FHFA) Director Mark Calabria. More specifically, NAFCU supports the recent agreement between the FHFA and Treasury to permit the GSEs to retain more capital to better protect taxpayers in the event of a severe economic downturn. NAFCU also appreciates FHFA's recent directive to the GSEs to discontinue the practice of volume-based discounts to provide smaller lenders with equal access to the GSEs. Despite these positive steps, NAFCU cautions against additional administrative reforms without legislative actions to guarantee certain key elements from NAFCU's Housing Finance Reform Principles.

A legislative solution should be the focus prior to major administrative action to remove the GSEs from conservatorship in order to ensure critical protections for smaller lenders. Congress should prioritize advancing legislation that provides fair pricing based on quality and not quantity as well as a level playing field that permits equal access to lenders of all sizes through services such as the cash window. Without such legislative protections, credit unions' access to the secondary market and ability to lend to more members of their communities, particularly those individuals of low- and moderate-income, may be in jeopardy.

Several proposals for housing finance reform, including the Treasury’s plan, advocate for a multi-guarantor model that permits new entities to enter the market to compete against the GSEs. The primary concern with such a model is that bank-affiliates and non-depository institutions, including fintech companies, may enter as competitors and achieve vertical integration in the housing finance market. This could reduce access and promote unfair pricing for credit unions and other community financial institutions. NAFCU is concerned about a race to the bottom in a multi-guarantor model and instead supports building upon and improving the GSEs’ existing processes, procedures, and technologies to foster competition between the two GSEs. Regardless of the ultimate model chosen for a reformed housing finance system, any major changes should be implemented gradually to prevent market disruptions and provide a smooth transition.

NAFCU appreciates the Committee’s attention on ways to reform the housing finance system. NAFCU looks forward to continuing to work with Congress and the Administration as it continues to examine potential proposals and the next steps for reform. Should you have any questions or require additional information, please do not hesitate to contact me or Max Virkus, NAFCU’s Associate Director of Legislative Affairs, at 703-842-2261.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee