



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

January 4, 2022

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

The Honorable Mike Rounds
Ranking Member
Subcommittee on Housing, Transportation,
and Community Development
Committee on Banking, Housing,
and Urban Affairs
Washington, DC 20510

Re: Tomorrow's Hearing to examine how Community Development Financial Institutions support underserved communities.

Dear Chairwoman Smith and Ranking Member Rounds:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on issues of importance to credit unions ahead of tomorrow's hearing to examine how Community Development Financial Institutions (CDFIs) support underserved communities. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products. We would like to thank you for holding this important hearing and the opportunity to provide input on how CDFI credit unions are working to serve their communities.

NAFCU appreciates Congress's continued support for funding for the CDFI Fund and the Community Development Revolving Loan Fund (CDRLF), especially the additional funding for CDFIs as part of pandemic relief efforts. As the economy continues to recover, we urge Congress to support increases in both CDFI and CDRLF funding in any fiscal year 2022 spending bills. This would provide the resources needed to keep these important programs properly functioning. These programs have proven to be an invaluable means of providing financial services to underserved areas and proved their worth during the pandemic. We thank you for your continued commitment to these important institutions. Additionally, while Congress is considering support for the CDFI and CDRLF funds, we urge you to ensure that the Treasury Department is given the necessary resources to clear out the current CDFI application backlog. There are over 400 CDFI credit unions today, and that number has grown over the last two years. Additionally, a number of credit unions have applied to become CDFIs in order to better serve the needs of their members but have seen the application process can drag on as they await approval. NAFCU has long been concerned by this backlog, and we would support legislative measures to streamline and modernize the requirements and application process to make it easier for institutions to be approved as a CDFI.

An important aspect of the CDFI Fund is that it provides awards to CDFI institutions that help allow them to finance mortgage lending for first-time home buyers and be able to provide flexible underwriting for community facilities. CDFIs often provide educational services such as credit

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counseling and homebuyer classes to help their borrowers use credit effectively and ensure they are able to keep up with their loan obligations. However, the majority of the mortgages originated by CDFIs are considered non-conforming (as they do not meet the loan-to-value, debt-to-income, FICO score, and other requirements) and Fannie Mae and Freddie Mac (Government Sponsored Enterprises (GSEs)) are unable to purchase these loans. NAFCU has urged the Federal Housing Finance Agency (FHFA) to create a pilot program to allow the GSEs to buy such non-conforming loans from CDFIs because they are serving the communities that the programs are created to help.

Credit unions that are classified as CDFIs are best situated to originate loans to the communities most in need. NAFCU believes that one way to help address the widening homeownership gap for minorities would be for the FHFA to permit the GSEs to purchase mortgages like the ones made by CDFIs to their communities through new pilot programs with less stringent purchase criteria in order to facilitate a vibrant secondary market. This would mean CDFIs could make more of these loans to support their communities and help resolve some of the access and equity issues currently impacting many borrowers. Should the FHFA prove unwilling to allow the GSEs to purchase these mortgages, we urge you to consider taking legislative action on behalf of CDFIs and the underserved areas they serve to bring about this change.

We thank you for the opportunity to share our thoughts and recommendations and look forward to continuing to work with you on strengthening CDFIs and the communities they serve. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at (703) 258-4981 or lplush@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs