



3138 10th Street North  
Arlington, VA 22201-2149  
703.842.2215 | 800.336.4644  
f: 703.522.2734  
dberger@nafcu.org | nafcu.org

**B. Dan Berger**  
President & Chief Executive Officer

**National Association of Federally-Insured Credit Unions**

September 30, 2019

The Honorable Steven T. Mnuchin  
Secretary  
United States Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

The Honorable Dr. Mark A. Calabria  
Director  
Federal Housing Finance Agency  
400 7th St., S.W.  
Washington, D.C. 20024

**RE: Amendment of Preferred Stock Purchase Agreements**

Dear Secretary Mnuchin and Director Calabria:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I would like to thank you for your commitment to reforming our nation's housing finance system to ensure safety and stability. 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 generally supports today's announcement that the U.S. Department of the Treasury (Treasury) and Federal Housing Finance Agency (FHFA) have agreed to amend the Preferred Stock Purchase Agreements (PSPAs) to permit the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, to rebuild their capital reserves. Additionally, NAFCU appreciates the FHFA's recent directive prohibiting the GSEs from providing volume-based discounts. Nonetheless, NAFCU cautions against additional administrative reforms, such as full recapitalization and removing the GSEs from conservatorship, without first coordinating with Congress to achieve piecemeal legislative guarantees for fair pricing and equal access to the secondary mortgage market.

Credit unions sell to the GSEs roughly half of the mortgage loans they do not keep on portfolio and have come to rely on the GSEs as a source of liquidity and a means to manage interest rate and concentration risks. NAFCU's member credit unions consistently report that pricing and ease of access are the primary reasons they use the GSEs. As the Treasury and the FHFA work through many of the recommendations contained in the Treasury's recently-released Housing Reform Plan (Treasury's Plan) in response to the March 27, 2019 Presidential Memorandum, NAFCU urges focus on collaboration with congressional leadership in both houses of Congress to achieve the important recommendations in the Plan. Although NAFCU supports gradual recapitalization of the GSEs to ensure they do not pose a risk to the safety and soundness of the mortgage market and protect taxpayers against a bailout in the event of an economic downturn, legislative reforms should be the first step.

Treasury has made clear that certain reforms to the housing finance system "should not and need not wait on Congress," but NAFCU's member credit unions are concerned that a rush to end the "net worth sweep" and conservatorship of the GSEs could jeopardize credit unions' access to the secondary market and create pricing inequities. NAFCU further recognizes that the Treasury's Plan

The Honorable Steven T. Mnuchin  
The Honorable Mark A. Calabria  
September 30, 2019  
Page 2 of 2

calls for amendments to the PSPAs that would require the GSEs to maintain a nationwide cash window and prohibit volume-based pricing discounts or similar incentives even after the end of conservatorship. Unfortunately, those amendments could just as easily be undone in the future. This underscores the need for legislative guarantees to protect credit unions and lenders of all sizes to truly level the playing field and promote competition in the primary mortgage market.

Considering the critical importance of the GSEs to the credit union industry, removing Fannie and Freddie from conservatorship and fully recapitalizing them without legislative changes is a risk not worth taking as it could destabilize the entire housing industry. NAFCU strongly encourages you to work with Congress to achieve legislative reforms to protect the integrity of the housing finance system and promote fair competition. If you have any questions regarding NAFCU's position on housing finance reform or if I may be of assistance to you in any way, please do not hesitate to contact me directly.

Sincerely,



B. Dan Berger  
President and CEO