December 19, 2019

ATTN: RFI Enterprise UMBS Pooling Practices

Mr. Robert Fishman
Deputy Director
Division of Conservatorship
Federal Housing Finance Agency (FHFA)
400 7th Street SW, 8th floor
Washington, D.C. 20219

Re: Request for Input Enterprise UMBS Pooling Practices

Dear Deputy Director Fishman:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the FHFA's request for input on the pooling practices for the Enterprises' Uniform Mortgage-Backed Security (UMBS) and their impact on the housing finance market.

As member-owned, not-for-profit financial cooperatives, credit unions have become an increasingly prominent provider of mortgage credit in the United States. A fast-rising number of this nation's millions of credit union members rely upon their credit union to help them purchase, renovate, or refinance their home. To meet the growing demand, credit unions must be able to efficiently and affordably access the secondary mortgage market. With significantly fewer tools than banks to mitigate interest-rate risk, access to the secondary mortgage market plays a critical role in credit unions' efforts to increase liquidity, while effectively managing their balance sheets. In fact, the Government Sponsored Enterprises' (GSE) securitization process is a key tool in many credit unions' tool boxes when looking to ensure their institution's safety and soundness.

Last year, credit unions sold many of their first-mortgage originations on the secondary mortgage market. Most of those transactions likely made their way to the To-Be-Announced (TBA) market given the reality that 90 percent of all trading in Agency mortgage backed securities occur there. Accordingly, any disruption in the TBA market would pose a threat to the ability of credit unions to effectively access the secondary market to increase liquidity and manage their bottom line.

Preserving the strong liquidity offered by the TBA market is not only of critical importance to credit unions as lenders, but also their members who derive direct benefit from a robust secondary mortgage market. Specifically, the demand created by the TBA market has a direct impact on credit unions' ability to lower the interest rates charged to borrowers in the primary market and, as a result, increases the affordability of mortgage credit. The TBA market also allows credit unions to offer members the additional benefit of being able to lock in interest rates a month or more before their loan is finalized. Thus, the consistency provided by a stable, liquid TBA market encourages mortgage lending by credit unions and expands access to responsible mortgage credit for credit union members.

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Given the importance of the TBA market to credit unions and their members, HCUA is pleased that the FHFA has proposed a requirement that the vast majority of TBA-eligible loans acquired in a specified, aligned timeframe should be aggregated and formed into large multi-lender pools.

In addition to better managing prepayment risk, the multi-lender pooling requirement has the added benefit of encouraging the enterprises to continue actively doing business with credit unions and other smaller lenders through cash commitment windows in order to include those mortgages within the multi-lender pools. In contrast, credit unions and other smaller lenders are unlikely to benefit from single-lender pools due to the smaller volume of mortgages they provide.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

Bradley D. Douglas

Brad Douglas
President/CEO