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Credit Union National Association

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Federal Housing Finance Agency
Office of Budget and Financial Management
400 7th St. SW
Washington, DC 20024

Re: Comments on FHFA Strategic Plan

To Whom It May Concern:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments to the Federal Housing Finance Agency's (FHFA) request for input on the agency's strategic plan for 2015-2019. By way of background, CUNA is the country's largest credit union trade organization, representing our nation's state and federal credit unions, which serve over 100 million members.

CUNA supports the vast majority of the concepts enumerated in the agency's strategic plan, although we do note ways to improve the plan for credit unions and other small financial institutions, as detailed below.

Strategic Goal One: Ensuring Safe and Sound GSEs and FHLBs

Obviously, the safety and soundness of the Fannie Mae and Freddie Mac (GSEs or the Enterprises) and Federal Home Loan Banks (FHLBs) has to be the most important mission of FHFA. FHFA has a statutory duty to ensure safety and soundness and to ensure that the GSEs and FHLBs carry out their housing finance and community-lending mission in a way that allows them to remain adequately capitalized and to be able to raise funds in the capital markets. CUNA supports efforts to implement strong risk management at all of the entities that FHFA regulates.

However, we encourage FHFA to continue to work to find the right balance between safety and soundness on the one hand, and credit availability for American consumers on the other. In the wake of the financial crisis, mortgage credit has become less available for many Americans as underwriting standards have increased and QM has become the law of the land. We appreciate that FHFA continues to allow certain non-QM loans to be sold into the secondary market, and are glad that FHFA recognizes that non-QM loans often are backed by vigorous underwriting. This is an especially important policy to maintain for debt-to-income ratios, which in many cases tell only part of the story of a borrower's ability to repay.

In addition, we hope FHFA will not use safety and soundness as a justification to create additional regulatory burden on credit unions. In particular, we are very concerned about the September 2, 2014 proposal from FHFA to revise the agency's rules regarding FHLB membership. FHLBs are critical sources of liquidity for many credit unions, and based on a very preliminary assessment, the proposed regulation would make it much more difficult for credit unions to maintain access to the FHLB system. If adopted, this regulation will create another compliance task for affected credit unions as they will be forced to maintain a close watch over their balance sheets to ensure they meet an arbitrary requirement on an ongoing basis. FHFA acknowledges that the proposed regulation will put the existing FHLB membership for some credit unions in jeopardy. Loss of FHLB membership will limit access to the low-cost sources of funding provided by the FHLBs, restricting credit at a time when our nation's housing recovery remains fragile. We hope that the agency will reconsider its action and not proceed with this proposal.

Strategic Goal Two: Ensuring Liquidity, Stability, and Access in Housing Finance

We very strongly support FHFA's effort to ensure continued liquidity, stability, and access in housing finance. We welcome FHFA's recognition that liquidity is a core reason Congress created the GSEs and FHLBs, and appreciate that the agency plans to solicit additional public input as part of regulating the GSEs and FHLBs.

In particular, credit unions very much appreciate the inclusion of Performance Goal 2.3, to expand access to housing finance for qualified financial institutions of all sizes and in all geographic locations and for qualified borrowers. The agency is correct in its conclusion that "having a housing finance market that provides liquidity throughout the country requires strong participation by a wide range of lenders, including small lenders, lenders serving rural areas, and state and local Housing Finance Agencies." We appreciate that "FHFA is committed to ensuring that qualified financial institutions and creditworthy eligible borrowers have fair and equitable access to the financial services offered by the regulated entities."

As CUNA has stated in previous communications to FHFA, for any issue related to the FHLBs or GSEs that may have a direct or indirect impact on credit unions, it is essential that the federal government's regulations ensure that lenders of all types and sizes, including credit unions, have access to liquidity on terms that are equitable. This means that terms, rates, or conditions for selling loans in the secondary market or accessing liquidity from the FHLBs must be affordable and fair to all lenders, regardless of their size or charter type. CUNA believes FHFA should continue to work with lenders, including credit unions, to improve and promote the housing market recovery, and we are glad to see this reflected in the strategic plan.

We note with caution the multiple references to changing mortgage servicing standards as part of Strategic Goal Two. We agree that home retention initiatives, such as loan modification and refinancing programs, are beneficial because they help reduce defaults and allow borrowers to realize more favorable rates or terms on their mortgages. We also support many loss mitigation programs. Credit unions have been historic leaders at developing programs to keep borrows who are behind in their payments in their homes.

However, we worry these references may signal that the agency it is considering changing mortgage servicing standards on the whole. Credit unions have only now begun to recover from the implementation of the Consumer Financial Protection Bureau's mortgage servicing standards in January, which are stringent regulatory requirements that grew out of "robo-signing" scandals and other bad behavior in which credit unions did not engage. We urge the FHFA not to consider imposing additional mortgage servicing requirements on behalf of the Enterprises.

Strategic Goal Three: Managing the Enterprises' Ongoing Conservatorships

In the absence of legislation providing for a broad reform of the secondary market, CUNA supports FHFA's development of tools that help protect the interests of the American taxpayer, with private capital taking the predominant role in mortgage credit losses. CUNA continues to support a well-thought-out reduction in the government footprint in the mortgage market and a return of more private capital to fund mortgage lending. Many of FHFA's recent actions help promote this task, such as the introduction of the STACR security during 2013. We applaud the agency's creativity, and encourage the agency to pursue similar initiatives. Moreover, CUNA strongly supports the development of a common securitization platform, and appreciates seeing this included as part of the agency's strategic plan.

We do not support FHFA's prior proposals to raise guarantee fees in order to bring additional private capital to the mortgage marketplace, and are glad to see this is not included in the strategic plan. FHFA should make changes in g-fees only based on quantifiable data demonstrating that existing fees need to be adjusted to protect taxpayers from the risk they are taking through the Enterprises. Increasing g-fees to reduce the Enterprises' footprint before comprehensive housing finance reform is enacted into law effectively taxes potential homebuyers and other consumers wishing to refinance their mortgages. Tools such as security structures and the common securitization platform are better instruments to promote the return of private capital.

Conclusion

Credit unions stand as proud partners ready to work with FHFA to improve the housing market. The agency has a very important role in ensuring stability of the market, and we appreciate the opportunity to provide feedback on the agency's strategic vision. We would welcome the opportunity to meet and discuss our concerns further and will be following up to request that. In the meantime, if you have any questions about our comments, please do not hesitate to contact me at (202) 508-6736.

Sincerely,

Mary Mitchell Dunn

Mary Mitchell Dunn
Deputy General Counsel