



March 17, 2023

***SUBMITTED VIA EMAIL***

Fair Housing Finance Agency

**RE: Review of FHLB System**

Dear Sir or Madam,

On behalf of Minnesota credit unions, please accept this correspondence in response to the FHFA's proposed rule on credit card late fees. The Minnesota Credit Union Network (MnCUN) thanks you for the opportunity to provide a response on this proposed rule on behalf of our member credit unions.

MnCUN, working in conjunction with the Credit Union National Association (CUNA), works to ensure the success, growth, and vitality of our 88-member credit unions (25 federally chartered) by creating a positive public environment through leadership, political advocacy, education, awareness and regulatory assistance. In so doing, MnCUN's mission is inextricably bound to serving the financial well-being of the communities of our member credit unions.

Credit unions have a demonstrated history of being *the* first line of defense providing consumer protection for our members and communities of their financial interests. Members *are* the co-operative business model and have a say on how credit unions do business unlike any other financial institutions. Credit unions across the country serve their members by *being* members of those communities.

The immediacy of that bond with our members and their families allows credit unions to meet the present needs of each community in an immediate and personal manner than purely financial. That access to high-quality financial services for all people, especially low- to -moderate income individuals in historically underserved and underprivileged communities, builds stability for those members which in turn results in stable communities.

As the FHFA is designated to protect, strong communities are built on affordable and fair home ownership opportunities.

Minnesota Residents

As of September 2022, [Minnesota's](#) 102 credit unions serve 2,077,613 members throughout the entire state. As of 2022, Minnesota's 2,880,269 [employed](#) residents earned an average weekly income of \$1,345 with [9% of residents impoverished](#) under federal poverty guidelines.

Between 2010 and 2021, our Black (non-Hispanic) population grew the most, increasing 2 percentage points to 7.2%. The white (non-Hispanic) population had the largest decrease dropping 5 percentage points to 78.1%. The approximate total number of [non-white residents](#) as of 2019 was:

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Black or African American 469,537  
Hispanic 278,485  
American Indian and Alaska Native 124,345  
Asian 335,109  
Native Hawaiian/Other Pacific Islander 9,454

In [July 2022](#), approximately 23% of the residents are under the age of 18 while those ages 20 - 34 represent 19% of our total population of approximately 5.7M residents. As various national studies demonstrate, many of these younger 'Gen. Z' and 'Millennial' generations face stagnant wage growth, student loan debt and are not independently secure financially.

### [Home Ownership in Minnesota](#)

After a decade of low rates, mortgage interest rates have climbed to their highest levels since the Great Recession.

As of Wednesday, March 15, 2023, current interest rates in Minnesota are 6.90% for a 30-year fixed mortgage and 6.27% for a 15-year fixed mortgage. The typical home price in Minnesota is \$333,225, well below the national median of \$389,500. Home prices in Minnesota were up 4.3 percent year-over-year in August, so you may experience a strong return on your investment if you purchase a home in the state.

### [NCUA and Minnesota Mortgage Regulations](#)

As the agency is aware, federal credit unions are regulated by the NCUA regarding our home lending practices from loan limits, PMI and maturation. The current guidance restricts real estate secured loans to a loan-to-value (LTV) of Ratio Limits pursuant to 12 C.F.R. [Part 701.21](#).

- For conventional loans, the maximum LTV permissible for credit unions is no greater than 80 percent of the lower of the appraised value or sales price unless private mortgage insurance (PMI) is obtained.
- The PMI should be obtained from a company acceptable to the credit union and to established secondary markets. On government insured loans, the LTV may not exceed the applicable FHA or VA guidelines.

The vast majority of MnCUN's membership are state-chartered credit unions (63 of 88 total members), which are further restricted by Minnesota Statute [§47.20](#) subdivision 4(a) limiting conventional mortgage maximum interest rates in an amount equal to the Federal National Mortgage Association posted yields on 30-year mortgage commitments for delivery within 60 days on standard conventional fixed-rate mortgages published in the Wall Street Journal for the last business day of the second preceding month plus four percentage points.



These state and federal parameters in addition to their lower asset and liquidity compared to traditional banks, demonstrates Minnesota's credit unions with home lending are specifically focused to and provide opportunity to consumers from underserved and low- to -moderate communities who typically do not qualify for mortgages at larger financial institutions.

#### FHFA Review

Currently, the Agency is reviewing the FHLB system regarding the following:

- 1) **Large Member Eligibility**: Larger members could no longer be considered eligible for or could be subject to limitations on FHLBank membership.

COMMENT: Larger member credit unions help to provide stable pricing, broader collateral availability, and material earnings for AHP disbursements. Large credit union members stabilize FHLB earnings and provide operating scale while being key to establishing a stable global investor base for the purchase of FHLB fixed income securities.

- 2) **Required Tracking of Advance Proceeds**: Advance usage and funds deployment could be tracked in concert with the FHLB mission, i.e., housing.

COMMENT: Impracticalities arise with this proposed requirement when associated with the fact that collateral and advance proceeds are fungible and essential to the FHLB business model. It would lead to impractical and likely cost-prohibitive measures to track collateral dollars and advance dollars to specific uses.

- 3) **New Membership Category Eligibility**: FHLBanks could be allowed to welcome current non-members (e.g. REIT's, mortgage banks, captive insurance companies, etc.).

COMMENT: The costs of running FHLBanks would likely increase dramatically if increased risk-taking results in realized losses. Should the prospect of FHLBanks taking on increased risk for nonmembers, pricing and stability could possibly receive a materially unfavorable response from the financial markets. The types and financial condition of new member categories must have prudent regulation and risk appetite management as necessary pre-requisites.

- 4) **Ongoing Mission Asset and Collateral Tests**: Members could be subject to *ongoing* mission-related tests regarding minimum housing-related or other types of assets.

COMMENT: Required mission-related asset or collateral tracking on an ongoing basis would be problematic for mission viability, scalability, and sustainability due to the cost-prohibitive tracking and monitoring measures required of mission-related assets in direct contravention of the existing Federal Home Loan Bank Act.



Given the present market conditions, these substantial added expenses resulting from the proposed changes to the FHLBanks System would ultimately cost Minnesota's credit union members. The cost of monitoring, tracking, and reporting obligations costs would greatly impact our ability and resources to provide home ownership opportunities to underserved and underrepresented consumers in traditionally low- to -moderate income communities as we have done for many years.

Thank you for the opportunity to comment on the FHFA's review of the FHLBanks System. Please do not hesitate to contact me with any questions or further requests for information related to this comment letter.

Sincerely,

*DANIEL S. LE*

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General Counsel