



National Association  
of Federal Credit Unions  
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NAFCU | Your Direct Connection to Advocacy, Education & Compliance

September 6, 2016

Federal Housing Finance Agency  
Office of Strategic Initiatives  
400 7<sup>th</sup> St., S.W.  
Washington, D.C. 20024

RE: Single Security and CSP Update

Dear Sir/Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing in regards to the Federal Housing Finance Agency's (FHFA) update on the development of a Common Securitization Platform (CSP). Although NAFCU applauds the FHFA's efforts to streamline the issuance of single mortgage-backed securities for single-family properties, NAFCU is apprehensive about the CSP implementation without further analysis on how this may affect credit unions.

In its *2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac*, the FHFA included its goal of developing a new securitization infrastructure for Fannie Mae and Freddie Mac for single-family properties. As part of this effort, in late 2014, Fannie and Freddie formed Common Securitization Solutions (CSS), a jointly-owned limited liability company aimed at facilitating the design and implementation of a single GSE bond. CSS is developing the technology and operational structure of the Common Securitization Platform.

The CSP will be rolled out in two phases. First, Freddie Mac will use the CSP modules to perform activities related to current single-class, fixed-rate securities and certain underlying mortgage loans. Second, both Fannie and Freddie will use the modules to perform activities related to their current fixed-rate securities and activities related to the underlying loan, as well as issue Single Securities. The FHFA is on course to implementing Release 1 in 2016 and Release 2 in 2018.

NAFCU is not opposed to the FHFA's plan to improve the overall liquidity of the government-sponsored enterprises (GSEs) by creating a single mortgage-backed security eligible to be traded in the "To-Be-Announced" (TBA) market. Single Securities have the potential to reduce compliance burdens for credit unions that transact business with the GSEs, allow greater accessibility to the TBA market, and create an efficient and resilient national housing market. Although the FHFA's efforts to create a more efficient platform with an "open architecture" to support multiple issuer access are commendable, NAFCU and its member credit unions are concerned that the consolidation of securitization programs will make it more difficult for credit unions to sell their loans to Fannie and Freddie.

In the continued development and implementation of the CSP, the FHFA's priorities should include preventing the single security and TBA market from having a negative impact on the marketability or price of loans sold by credit unions to the GSEs. Accordingly, NAFCU urges the FHFA to provide safeguards for existing GSE securities held by credit unions so they do not lose their marketability after the introduction of a single security. The FHFA should strive to meet its goal of full fungibility between legacy and new securities and, if the market demonstrates a distinct preference for the new single security, allow credit unions to exchange legacy securities for new ones.

Furthermore, development of the CSP platform has taken several years and the FHFA has yet to release a budget projection, so NAFCU is concerned about the overall cost of the CSP and what this may mean for the price of loans sold to the GSEs. One of the main goals of the CSP should be to create a transparent and level playing field that does not create exclusions or special options for big banks, thereby providing them with a comparative advantage in the single security and TBA market. NAFCU urges the FHFA to continue its work on the CSP with this goal in mind.

NAFCU appreciates the opportunity to comment on the FHFA's single security and common securitization platform update. Should you have any questions or concerns, please do not hesitate to contact me at [akossachev@nafcuh.org](mailto:akossachev@nafcuh.org) or (703) 842-2212.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Kossachev". The signature is fluid and cursive, with the first name "Ann" and last name "Kossachev" clearly distinguishable.

Ann Kossachev  
Regulatory Affairs Counsel