

March 20, 2014

The Honorable Mel Watt  
Director  
Federal Housing Finance Agency  
Constitution Center  
400 Seventh Street SW, Ninth Floor  
Washington, DC 20024

Re: Request for Meeting and Request for Public Input on Implementation Issues for Fannie Mae and Freddie Mac Loan Purchase Limits

Dear Director Watt:

On behalf of the Credit Union National Association (CUNA), the largest advocacy organization in the country for state and federal credit unions, which serve over 99 million members, I am responding to the Federal Housing Finance Agency's (FHFA) request for public input on Fannie Mae and Freddie Mac ("GSEs" or the "Enterprises") loan purchase limits. I would also like to reiterate our December 19, 2013 request for a meeting with you to discuss the role of credit unions in the mortgage marketplace.

As you know, Congress is currently actively looking at a number of ways to reform the housing finance system. We recommend that FHFA not take any action on loan limits as conservator of the Enterprises until Congress first acts. A number of legislative options are on the table that would reduce the government's footprint in the mortgage marketplace. While the approaches vary widely, the effect would be the same: private capital would increase, and the taxpayer's exposure would either be eliminated or drastically reduced. Any legislation to reform the housing finance system will establish a system that may last for decades, and Congress should have the opportunity to address loan limits as part of a comprehensive package. CUNA believes that the new housing finance system should apply a reasonable conforming loan limit that adequately takes into consideration local real estate costs in higher cost areas.

In any event, while this proposal would result in a decline in loan limits from the current baseline of \$417,000 for single-family residences to \$400,000, it is an open question as to whether FHFA has the legal authority to lower loan limits without a statutory change. In section 1124 of the Housing and Economic Recovery Act of 2008 (HERA), Congress modified the charter acts for the GSEs to set forth a requirement that loan limits be adjusted annually to reflect housing prices. However, in setting \$417,000 as the baseline for single-family residences, Congress required that loan limits not be adjusted downward. *See* Housing and Economic Recovery Act of 2008 §1124, P.L. 110-289 (July 30, 2008) ("If the change in such house price index during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment is a decrease, then no adjustment shall be made for the next year..."). Although Congress has given FHFA broad authority

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as conservator, we do not think it includes authority for FHFA can allow the Enterprises to operate outside of their charters. In any event, we feel this is a matter that Congress should settle.

As you know, FHFA and the GSEs are of crucial importance to credit unions that sell and service mortgage loans. In 2012, credit unions originated \$123 billion of first mortgages, or about 6.5% of the total mortgage origination market. Although credit unions traditionally are portfolio lenders, the number of credit union loans sold has almost doubled from 2009 to present, to an average of 52%.

CUNA would like to have a solid working relationship with the agency on loan limits and a range of other issues relating to housing finance. As mentioned in my December 19, 2013 letter to you, in addition to loan limits, CUNA has a number of concerns about recent policies from FHFA, including the saleability of non-qualified mortgage loans, seller/servicer requirements, and GSE pricing to credit unions. We would welcome the opportunity to address these issues with you in a meeting at your convenience.

Thank you for the opportunity to express our views on GSE loan limits. If you have any questions about our comments, please do not hesitate to contact me or CUNA Deputy General Counsel Mary Dunn at (202) 508-6736.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long horizontal flourish extending to the right.

Bill Cheney  
President/CEO

CC: FHFA Office of Policy Analysis and Research