California CREDIT UNION LEAGUE NEVADA CREDIT UNION LEAGUE

March 18, 2014

Federal Housing Finance Agency
OPAR, Constitution Center
400 Seventh Street, SW, Ninth Floor
Washington, DC 20024

Re: Comments on Request for Public Input – Fannie Mae and Freddie Mac Loan Purchase Limits; Docket No. 2013-N-18

Dear Mr. DeMarco:

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 10 million member-consumers. The Leagues welcome the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on its request for public input on contemplated reductions in loan purchase limits by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the Enterprises). The Leagues strongly oppose the reductions in loan purchase limits and respectfully submit the following comments.

Background

The Enterprises must set their loan purchase limits at or below the maximum limits determined by statutory formulas. Through its authority as conservator, the FHFA is seeking to set lower limits as one means of reducing the Enterprises' presence in the mortgage market gradually over time, pursuant to FHFA's *Strategic Plan for Enterprise Conservatorships*. The FHFA contends that reducing the Enterprises' business at the high-end of the market would invite private capital to re-enter the market and would limit taxpayer exposure to losses.

FHFA has developed a plan to gradually reduce loan purchase limits by reducing the baseline loan limit from the current $417,000 to $400,000, a 4.077 percent decline. The planned ceiling limit in high-cost areas would be lowered by the same percentage from the current $625,500 to $600,000. In areas where current purchase limits lie between the baseline and ceiling limits, the planned loan purchase limit would be decreased by the same 4.077 percent.

The new, lower, purchase limits would affect loans originated after October 1, 2014. Loans eligible for purchase before the reductions will remain eligible in the future, regardless of whether they exceed the new loan purchase limits.

Planned Reduction in Loan Purchase Limits

Consumer Impact

The Leagues do not believe a reduction in the loan purchase limits is appropriate. Many credit unions and other lenders have chosen to not make mortgages that do not meet the Consumer Financial Protection Bureau's (CFPB) definition of a "qualified mortgage."

Reducing the Enterprises' loan purchase limits will further reduce the number of loans lenders are willing to make, cutting off access to credit or driving consumers to higher priced lenders willing to take the risk of non-qualified mortgages.

2855 E. Guasti Road, Suite 600 • Ontario, CA 91761-1250 • 909.212.6000
PO Box 51476 • Ontario, Ca 91761-0076 • 800.472.1702 • www.ccul.org • league@ccul.org

AMERICA'S CREDIT UNIONS

One of the stated goals of the planned reduction in limits is to invite private capital into the market. However, this strategy can be harmful to consumers. Lenders willing to take the risk of non-qualified mortgages will likely want tighter underwriting or higher mortgage rates.

The CFPB's new ability-to-repay and qualified mortgage rules already require tougher credit standards and underwriting requirements, making homeownership difficult. Reducing the Enterprises' loan purchase limits presents yet another challenge to home ownership.

<u>California Impact</u>

California has over 25 million residents that will be adversely impacted by the planned baseline and high-cost loan limit reductions. In addition, nine counties in California have a median home price above the planned high-cost loan limit of $600,000.

The California housing markets are only beginning to recover. The adverse effect of lower loan limits will have a negative impact on California homebuyers, the housing market, and the economy.

<u>Legislative Environment</u>

Given the current legislative activity to address the wind down of the Enterprises, and the current profitability of the Enterprises, the Leagues do not believe it is appropriate to take any action at this time to reduce their presence. These efforts should be delayed and coordinated with any wind down efforts.

<u>Effective Date</u>

FHFA proposes to provide at least six months advance notice of any reduction of the loan purchase limits. While the Leagues oppose a reduction in the loan purchase limits, should the FHFA continue with the planned limits reduction, the Leagues recommend 12 months advance notice and that the FHFA announce a multi-year schedule of proposed reductions specifying a specific percentage each year. An initial 12-months advance notice and a multi-year schedule will assist credit unions in evaluating and planning for the potential impact on their operations and finances.

In conclusion, the Leagues fervently oppose the planned reduction in loan purchase limits. Now is not the time to further hamper the housing market and make homeownership even more difficult for California homebuyers. We believe reduced loan purchase limits will negatively impact consumers' access to credit and cost of credit, will harm the already slow housing market recovery, and will negatively impact credit unions as the reduced loan limits will impact their ability to make qualified mortgage loans.

Thank you for the opportunity to comment on the planned reductions in the Enterprises' loan purchase limits and for considering our views.

Sincerely,

Diana R. Dykstra
President and CEO
California and Nevada Credit Union Leagues