



WASHINGTON, D.C.  
99 M St. SE  
Suite 300  
Washington, D.C. 20003-3799  
Phone: 202-638-5777  
Fax: 202-638-7734

January 29, 2019

ATTN: Comments/ RIN 2590-AA82  
Mr. Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
Constitution Center (OGC Eighth Floor)  
400 7th St., SW  
Washington, DC 20219

**Re: RIN 2590-AA82**  
**Proposed Rule FHLB's Affordable Housing Goals**

As the largest credit union advocacy organization in this country, the Credit Union National Association's (CUNA) state and federal credit unions currently serve over 115 million members. Many of those members rely upon their credit union to meet their housing finance needs. In fact, in the first quarter of 2018 alone, credit unions extended more than \$100 billion to members in the form of fixed-rate, first mortgages.<sup>1</sup> Accordingly, the health and stability of the housing finance system and access to that system are key concerns for credit unions and the members that they serve.

**CUNA Opposes the FHFA's Proposed Affordable Housing Goal Regulations Because They Exclude Credit Unions from Participating in the Smaller Member Participation Requirement.**

While we appreciate the Federal Housing Finance Agency's (FHFA) recognition of the important role that small Federal Home Loan Bank (FHLB) members should play in the Acquired Member Asset program and the Agency's overall efforts to simplify and provide more flexibility on affordable housing goals, CUNA must oppose the FHFA's proposed FHLB Affordable Housing Goal regulations **because they specifically exclude credit unions from being eligible to participate in the newly created smaller member participation requirement.** As a result, thousands of credit unions—all members of the Federal Home Loan Banking System— would be ineligible to participate in at least fifty percent of all purchases under the Acquired Mortgage Asset Program.

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<sup>1</sup> <https://www.ncua.gov/analysis/Pages/call-report-data/reports/paca-facts/paca-facts-2018-Q1.pdf>

**Though Many Credit Unions are Small FHLB Members that Play A Vital Role in the Mortgage Markets and Rely Upon Their FHLBs As Partners in Achieving the Liquidity Necessary to Provide Mortgage Credit, They Do Not Satisfy the Proposal’s Definition of a Community Financial Institution.**

As member-owned, not-for-profit financial cooperatives, credit unions have become an increasingly prominent provider of mortgage credit in the United States. Between 2015 and 2017, credit union mortgage loans grew from six percent to thirteen percent of the overall mortgage market.<sup>2</sup> Accordingly, a fast-growing number of this nation’s millions of credit union members rely upon their credit union to help them purchase, renovate, or refinance their home. Many of these credit unions, the majority of whom having less than \$1.173 billion in assets,<sup>3</sup> look to their local Federal Home Loan Bank as a partner in facilitating mortgage credit through programs like the Acquired Mortgage Asset Program. Yet, despite this fact, the FHFA’s proposal would prevent these credit unions from participating in the small member participation goal because they do not satisfy the statutory definition of a “community financial institution:”

The proposed rule would define the small member participation housing goal by incorporating the definition of “community financial institution” in the Bank membership regulation, which includes institutions with total assets below the community financial institution threshold, currently \$1.173 billion.<sup>4</sup>

Under the proposal, the definition of “community financial institution” is to have the same meaning as the language found in 12 CFR § 1263.1, which states:

Community financial institution or CFI means an institution:

- (1) **The deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811et seq.); and**
- (2) The total assets of which, as of the date of a particular transaction, are less than the CFI asset cap, with total assets being calculated as an average of total assets over three years, with such average being based on the institution's regulatory financial reports filed with its appropriate regulator for the most recent calendar quarter and the immediately preceding 11 calendar quarters.<sup>5</sup>

Consequently, because credit union deposits are insured by the National Credit Union Share Insurance Fund,<sup>6</sup> and not the Federal Deposit Insurance Act, credit unions are excluded from the proposed regulation’s definition.

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<sup>2</sup> Experian, 2017 State of Credit Unions Report, available at <http://www.experian.com/blogs/insights/2017/06/2017-credit-union-report/>.

<sup>3</sup> \$1.173 billion is the current adjusted threshold for the community financial institution definition under 12 CFR 1263.1.

<sup>4</sup>RIN 2590-AA82, *id.* at 31.

<sup>5</sup> 12 CFR §1263.1 (emphasis added).

<sup>6</sup> 12 U.S.C. §1781.

**Prior to Issuing a Final Rule, the FHFA Should Revise the Smaller Member Participation Goal, and Specifically the Goal's Reliance on the Definition of a "Community Financial Institution," to Ensure that Purchases of Credit Union Assets May Be Considered as Part of the Requirements.**

Thousands of credit unions, with assets well below the FHFA's designated program threshold, are members of the Federal Home Loan Banking system. As the Agency acknowledges, "small members "are more likely to produce affordable home loans to low-income households" and "rely on their Bank membership for a connection to the secondary mortgage market." These facts are especially true for credit unions who depend upon their FHLB to purchase their originated mortgages and who also, according to CUNA's internal analysis of the most recent data from the Home Mortgage Disclosure Act, have a higher percentage of mortgage originations to low- and moderate-income families. Accordingly, it is imperative that the FHFA revise its proposal to ensure that credit unions are eligible to participate in the small member participation requirement.

On behalf of America's credit unions and their more than 115 million members, thank you very much for your consideration of our views. We look forward to working with the FHFA to finalize Affordable Housing Goal regulations for the Federal Home Loan Banking System that best serve credit unions and their members and help achieve the system's mission of responsibly providing mortgage credit to low- and moderate-income families.

Sincerely,

Mitria Wilson,  
Sr. Director of Advocacy and Counsel