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March 9, 2021

Alfred M. Pollard, General Counsel
Attention: Comments/RIN-2590-AB09
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street SW
Washington, DC 20219

Re: Notice of Proposed Rulemaking on Enterprise Liquidity Requirements/86 FR 1306/ RIN-2590-AB09

Dear Mr. Pollard:

The Credit Union National Association (CUNA) proudly represents America's credit unions and their more than 120 million members. On their behalf, we write in response to the Federal Housing Finance Agency (FHFA) request for comment on a proposed rule that would implement four liquidity and funding requirements for Fannie Mae and Freddie Mac (the Enterprises).¹

As stated in the notice of proposed rulemaking, the 2008 financial crisis demonstrated substantial weaknesses in the liquidity positions of the Enterprises, and both liquidity and funding challenges were significant contributing factors to the establishment of their conservatorship in September 2008. The proposed FHFA rule is intended to build on the improvements made to the U.S. banking supervision framework's regulation of institutions' liquidity requirements, and on experience since the 2008 financial crisis including with the more recent 2020 COVID-19-related financial market stress.²

The FHFA believes that a robust Enterprise liquidity framework will improve market confidence in the Enterprises' ability to fulfill their mission and provide countercyclical support to housing finance markets in times of stress, while further minimizing the likelihood that they will need further taxpayer support. FHFA envisions that an appropriate framework would incent the Enterprises to build their liquidity portfolios in good times, so that it is available to be deployed as necessary in times of stress.

¹ Enterprise Liquidity Requirements, 86 Fed. Reg. 1306 (Jan. 8, 2021).

² See 79 FR 61440 (Oct. 10, 2014) (12 CFR part 50; 12 CFR part 249; 12 CFR part 329).

Credit unions' commitment to mortgage lending is well documented. In 2020 alone, credit unions originated \$292 billion in first lien mortgages – a record volume that was 63% higher than 2019 results. In total, credit unions sold \$120 billion in first lien mortgages on the secondary market - an amount equal to 42% of the total originated.³

On behalf of these credit unions, CUNA strongly supports FHFA's efforts to build a strong Enterprise liquidity framework. The Enterprises are systemically important and having formal liquidity requirements ensures safety and soundness and helps provide overall operational and economic security, which should prevent disruptions and increase the likelihood of a smoothly operating housing finance function. It is also an obvious signal to the marketplace that this issue matters, which can help to boost market confidence.

Nevertheless, as the FHFA acknowledges, experience with the past financial crisis and the recent COVID-19 pandemic shows that non-bank seller/servicers are vulnerable to acute financial stress in periods of tight liquidity, and this can impose significant losses or delays on Enterprise receipt of payments with respect to acquired mortgage loans. As the FHFA moves forward with this proposed rulemaking, we encourage it to pay special attention to the potential risks of non-bank seller/servicers. Due to the unprecedented COVID-19 crisis, the industry was greatly impacted when many Americans were suddenly unemployed and could not make their mortgage payments thereby affecting the liquidity for non-bank seller/servicers. We urge FHFA to create substantial protections for nonbank seller/servicers that are unguarded from future economic or environmental crises.

Thank you for the opportunity to comment on this proposed rulemaking. We look forward to working with FHFA to ensure that credit unions can continue to provide affordable, safe, and sustainable mortgage products to their members in a market that benefits from the work of the Enterprises. If you have questions or require additional information related to our feedback, please do not hesitate to contact me at (202) 465-5769 or EEurgubian@cuna.coop.

Sincerely,

Elizabeth A. Eurgubian
Deputy Chief Advocacy Officer & Senior Counsel
Regulatory & Executive Branch Relations

³ See NCUA 2020 call report data; CUNA analysis.