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National Association of Federally-Insured Credit Unions

October 22, 2021

Clinton Jones
General Counsel
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

RE: 2022-2024 Enterprise Housing Goals (RIN: 2590-AB12)

Dear Mr. Jones:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the proposed rule on the housing goals for the government-sponsored enterprises (GSEs) for 2022–2024. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 127 million consumers with personal and small business financial service products. NAFCU and its member credit unions appreciate the opportunity to provide further input on this proposed rule and support the Federal Housing Finance Agency's (FHFA) efforts to ensure the safety and soundness of the GSEs through the implementation of housing goals.

NAFCU generally supports the proposed rule but urges the FHFA to work with the Department of the Treasury (Treasury) to entirely remove the limitations placed by the amendments to the Preferred Stock Purchase Agreements (PSPAs) and allow credit unions to continue to provide Temporary GSE qualified mortgages (Temporary GSE QM or "GSE Patch") to help the GSEs achieve their overall housing goals. NAFCU further requests that the FHFA continue to evaluate opportunities for community financial institutions, such as credit unions, to sell more of their loans to the GSEs, consequently allowing them to better serve low-income communities.

General Comments

Since 2010, under the *Safety and Soundness Act*, the FHFA has been establishing several annual housing goals for both single-family and multifamily mortgages purchased by the GSEs. Annual housing goals are set to measure the extent to which the GSEs are meeting their public purposes. This proposed rule would establish the benchmark levels of the housing goals for 2022–2024. The single-family housing goals include separate categories for home purchase mortgages for low-income families, very low-income families, and families that reside in low-income areas, and the latter also includes subgoals. Additionally, there is a separate goal for refinancing mortgages of low-income families. The proposed rule increases the benchmark levels for each goal and separates the subgoal for low-income areas into two categories, low-income census tract and minority census tract. Performance on the single-family home purchase goals is measured as the percentage of the total home purchase mortgages purchased by a GSE each year that qualify for each goal or subgoal.

NAFCU commends the FHFA on its commitment to providing low-income housing, as credit unions were founded on serving local communities and providing credit. Credit unions are vital to the housing market, as they provide low- and moderate-income (LMI) borrowers with the ability to obtain mortgage credit. It is important that the FHFA ensures that credit unions have continued access to the secondary mortgage market. NAFCU's *2021 Federal Reserve Meeting Survey* shows that credit unions that originate mortgages sold 34 percent of those mortgages to the secondary market in the past twelve months; 57 percent of those respondents expect to sell the same amount over the next twelve months and 23 percent expect to sell more.

Credit unions also continue to provide more LMI loans than banks. According to the 2020 Home Mortgage Disclosure Act (HMDA) data, credit unions provide about 10.9 percent of small LMI loans compared to banks that provide around 6.5 percent. The same HMDA data shows that credit unions originate more mortgage loans to LMI borrowers at every debt-to-income level than large banks, community banks, and mortgage banks. The level of mortgages provided by credit unions to borrowers of modest means has remained consistent over the last two years.

NAFCU generally supports the increased benchmark levels and the new categories of subgoals in the proposed rule.

This proposed rule increases the benchmark levels for single-family home purchases in the categories of low-income and very low-income by 4 and 1 percent; the low-income refinancing goal would be increased by 5 percent. The criteria for a low-income home purchase is described as home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes no greater than 80 percent of area median income (AMI); very low-income is defined as incomes no greater than 50 percent of AMI. Credit unions can assist the GSEs in reaching these goals by continuing to serve their local communities.

Single-family Home Purchases

The prior benchmark level of 24 percent for the low-income housing goal has been in place since 2015. The FHFA has explained that it is proposing this higher benchmark level to encourage the GSEs to continue to find ways to support lower income borrowers without compromising safe and sound lending standards. NAFCU has previously encouraged the FHFA to consider pilot programs for low- or zero-down payment mortgage loans that help borrowers build wealth. These programs are helpful for very low- and low-income borrowers and will help the GSEs reach their housing goals. One such loan is the Wealth Building Home Loan (WBHL), as developed by the American Enterprise Institute, which is structured as either a 15- or 20-year fully amortizing loan with either a fixed interest rate or a two-step rate structure (an initial fixed rate for about 7 years and then an adjustable rate), strong underwriting, and zero- or low-down payment. NAFCU again reiterates its support for products like this that encourage wealth building among the communities most in need. Borrowers who fit into the very low- and low-income categories can take advantage of programs such as this, increasing the amount of loans and homes sold to borrowers in these categories; in turn, making these loans available for the GSEs to purchase and meet their benchmark levels, which this rule proposes to increase by 1 and 4 percent, respectively.

Minority Census Tracts

Additionally, this proposed rule adds two new subgoals based on minority census tracts and low-income census tracts. This proposed rule defines the criteria for the minority census tract subgoal as home purchase mortgages on single-family, owner-occupied properties to borrowers with income no greater than 100 percent of AMI in minority census tracts. The low-income census tract criteria are home purchase mortgages on single-family, owner-occupied properties to borrowers (regardless of income) in low-income census tracts that are not minority census tracts, and home purchase mortgages on single-family, owner-occupied properties to borrowers with incomes greater than 100 percent of AMI in low-income census tracts that are also minority census tracts. According to the FHFA, the aim of the new minority census tract subgoal is to improve access to fair and sustainable mortgage financing in communities of color. Credit unions have been and will continue to do just that, originating mortgages the GSEs need to purchase to achieve their goals. NAFCU supports the FHFA's efforts to pay close attention to not only low-income census tracts but minority census tracts as well. Separating these two categories ensures that none of the underserved are left out of the housing goals.

Low-Income Refinance

The single-family low-income refinance goal is based on the percentage of all single-family, owner-occupied refinance mortgages purchased by the GSEs that are for families with incomes less than or equal to 80 percent of AMI. The FHFA is increasing the benchmark level in this proposed rule by 5 percent, setting the goal at 26 percent. FHFA has explained that this proposed benchmark level is on the lower end of the range of estimates due to the unpredictability of future interest rates. NAFCU supports the increase in the benchmark level for the low-income refinance goal and hopes that the higher goal will encourage the GSEs to purchase refinance mortgages from the financial institutions whose mission is to serve the community, such as credit unions. Additionally, NAFCU supports the FHFA ensuring that the goal matches the market's unpredictability by setting the goal lower than the projected market level due to interest rates constantly fluctuating.

NAFCU applauds the FHFA for eliminating the adverse market refinance fee, which required lenders to pay the GSEs a 50-basis point fee when delivering refinanced mortgages. Eliminating the refinance fee allows credit unions to help more members, especially those that are low-income, subsequently helping the GSEs meet the housing goals proposed in this rule. NAFCU's *2021 Federal Reserve Meeting Survey* shows that 36 percent of respondents that sell mortgages to the GSEs expect the imposition of fees on mortgage refinances to have a material impact on their credit union.

NAFCU's member credit unions have expressed that the removal of the adverse market refinancing fee has allowed them to maintain competitive interest rates and provide lower rates to borrowers who may not otherwise be able to afford a mortgage. With the rise in interest rates causing the number of refinances to decrease, NAFCU's members expect the removal of the adverse market refinance fee to continue to make a big difference in keeping rates as low as possible, which in turn will aid the GSEs in meeting their housing goals. NAFCU discourages the

FHFA from adopting any similar type of refinance fee or other delivery fee as it would prevent some LMI borrowers from obtaining affordable mortgage credit.

Entirely removing the purchase limitations in the PSPAs and allowing utilization of the GSE Patch to continue will make it easier for the GSEs to meet the proposed housing goals.

NAFCU appreciates the FHFA's decision to allow a one-year suspension of the most recent amendments to the PSPAs, specifically suspending the limits on the GSEs' cash window, multifamily lending, loans with higher risk characteristics, and second home and investment properties. These amendments have the potential to have a negative impact on communities and borrowers of color. Moreover, these restrictions will likely have a direct impact on the 2022–2024 housing goals expressed in this proposed rule. Should the PSPA amendments not be entirely removed and utilization of the GSE Patch not extended, the GSEs will have a hard time meeting the housing goals, as the benchmark levels have been increased and subgoals have been added.

First, the Bureau of Consumer Financial Protection (CFPB) recently extended the General QM definition's mandatory compliance date until October 2022.[1] This would allow credit union lenders to utilize the GSE Patch until the mandatory compliance date. However, the PSPA amendments limit the utility of the GSE Patch extension. The GSE Patch is necessary for community financial institutions to ensure access to affordable and sustainable homes given the current housing market's increased competition and low inventory, and in turn necessary for the GSEs to meet their housing goals.

Many credit unions mortgages are sold to the GSEs through the cash window, which under the PSPA amendments has been capped at an arbitrarily low mortgage volume. Should the amendments not be entirely removed, smaller lenders may be forced to sell to larger aggregators rather than directly to the GSEs, in turn hindering the GSEs from meeting the proposed housing goals. Additionally, low-income communities may suffer because mortgage lending overall may also be limited due to the cash window cap.

There are currently many issues facing the secondary mortgage market, and not meeting the housing goals due to limitations in the PSPAs should not be one of them. The COVID-19 pandemic has disproportionately impacted Black and brown communities and low-income borrowers. Further, the pandemic has caused ongoing economic impacts that have not been realized yet. The pandemic's economic effect on the housing market has yet to be fully understood and until the COVID-19 protections the FHFA has given to borrowers fully expire, the full extent of that impact remains unknown.

Conclusion

NAFCU appreciates the opportunity to comment on the proposed rule for the 2022–2024 housing goals for the GSEs. NAFCU generally supports the rule but requests that the FHFA (1) continue

[1] Qualified Mortgage Definition Under the Truth in Lending Act (Regulation Z): General QM Loan Definition; Delay of Mandatory Compliance Date, 86 Fed. Reg. 22844 (April 30, 2021).

to evaluate opportunities that allow credit unions to sell more loans to the GSEs, (2) refrain from adopting fees that will inevitably be passed to borrowers, (3) work with the Treasury to entirely remove the limitations placed by the PSPAs, and (4) allow credit unions to continue to utilize the GSE Patch. If you have any questions or concerns, please do not hesitate to contact me at (703) 842-2268 or amoore@nafcu.org.

Sincerely,

Aminah M. Moore
Regulatory Affairs Counsel