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December 9, 2016

The Honorable Richard Shelby
Chairman
Senate Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Senate Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Re: NAFCU's Principles on Housing Finance Reform

Dear Chairman Shelby, Ranking Member Brown, Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the federal interests of our nation's federally-insured credit unions, I write today with respect to housing finance reform and to share with you a series of principles that are important to credit unions in this debate. NAFCU welcomes the opportunity to continue to work with you on this issue of importance to credit unions and their 106 million members.

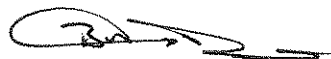
As Congress considers the future of the Government Sponsored Enterprises (GSEs) and proposals to reshape the housing finance market, we urge you to keep in mind the following principles that are important to credit unions:

- NAFCU believes a healthy, sustainable and viable secondary mortgage market must be maintained. Credit unions must have unfettered, legislatively-guaranteed access to such a market. To achieve a healthy, sustainable and viable second mortgage market, NAFCU believes there must be healthy competition among and between market participants in every aspect. Market participants should include, at a minimum, at least one GSE, the Federal Home Loan Banks (FHLBs), Ginnie Mae (as insurer of the Federal Housing Administration, Department of Veterans Affairs, and other government-backed loans), and private entities.
- NAFCU would be open to discussing the merging of Fannie Mae and Freddie Mac into one entity to carry out the functions currently provided by the GSEs in meeting the needs of credit unions as one possible way forward on housing finance reform.
- The U.S. government should issue explicit guarantees on the payment of principal and interest on mortgage backed securities (MBSs). The explicit guarantee will provide certainty to the market, especially for investors who will need to be enticed to invest in the MBSs and facilitate the flow of liquidity.

- During any transition to a new system (whether or not current GSEs are to be part of it) credit unions need uninterrupted access to the GSEs, and in turn, the secondary market.
- Credit unions could support a model for the GSEs that is consistent with a cooperative or a mutual entities model. Each GSE would have an elected Board of Directors, be regulated by the Federal Housing Finance Agency (FHFA), and be required to meet strong capital standards.
- A Board of Advisors made up of representatives from the mortgage lending industry should be formed to advise the FHFA regarding GSEs. Credit unions should be represented in such a body.
- While a central role for the U.S. government in the secondary mortgage market is pivotal, the GSEs should be self-funded, without any dedicated government appropriations. GSE's fee structures should, in addition to size and volume, place increased emphasis on quality of loans, and risk-based pricing for loan purchases should reflect that quality difference. Credit union loans provide the high quality necessary to improve the salability of many agency securities.
- Fannie Mae and Freddie Mac should continue to function, whether in or out of conservatorship, and honor the guarantees of the agencies at least until such time as necessary to repay their current government debts and make the American taxpayer whole.
- NAFCU does not support full privatization of the GSEs (sold off to the secondary market) at this time because of serious concerns that small community-based financial institutions could be shut-out from the secondary market.
- FHLBs serve an important function in the mortgage market as they provide their credit union members with a reliable source of funding and liquidity. Reform of the nation's housing finance system must take into account the consequence of any legislation on the health and reliability of the FHLBs.

NAFCU understands that this is a complex issue that is expected to be a priority in the next Congress and with the incoming Trump Administration. We welcome the opportunity to work with you as you move forward on comprehensive, thorough, and prudent changes to our nation's housing finance reform system. Again, we thank you for this opportunity to provide our input. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Executive Vice President of Government Affairs, Carrie Hunt, at (703) 842-2234.

Sincerely,



B. Dan Berger
President and CEO

Thanks for your continued support!

cc: The Honorable Mike Crapo
Members of the Senate Banking Committee
Members of the House Financial Services Committee