National Association
of Federal Credit Unions
3138 10th Street North
Arlington, VA 22201-2149
NAFCU | Your Direct Connection to Education, Advocacy & Advancement

March 15, 2016

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street, SW., Eighth Floor,
Washington, DC 20024

Re: Enterprise Duty To Serve Underserved Markets –RIN 2590-AA27

Dear Mr. Pollard:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the Federal Housing Finance Agency's (FHFA) proposal that would require Fannie Mae and Freddie Mac (the Enterprises) to adopt plans to improve the availability of mortgage financing for residential properties that serve very low-, low-, and moderate-income families in the underserved markets of manufactured housing, affordable housing preservation and rural markets. *See* 80 FR 79182 (Dec. 15, 2015).

The Government-Sponsored Enterprises, specifically Fannie Mae and Freddie Mac (the Enterprises), enable credit unions to obtain the necessary liquidity to create new mortgages for their member-owners by utilizing the secondary market. The Enterprises serve as valuable partners in credit unions' efforts to meet their members' needs, particularly with regard to mortgage loans. As such, NAFCU and our members appreciate the FHFA's continued commitment to maintaining the stability of the GSEs in order to foster a strong secondary mortgage market to enable credit unions across the country to meet the lending needs of their 102 million members.

Under federal law, FHFA is required to issue regulations to implement the "Duty to Serve Underserved Markets" requirements specified in the *Federal Housing Enterprises Financial Safety and Soundness Act of 1992*, as amended by the *Housing and Economic Recovery Act of 2008* (HERA). In particular the Enterprises are required to provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgagees on housing for very low, low-, and moderate-income families with respect to manufactured housing, affordable housing preservation and rural markets. The Enterprises would submit to FHFA a draft Underserved Markets Plan covering a three-year period on which the public would be invited to provide input prior to FHFA approval of the Plan. The proposed rule would provide Duty to Serve credit for eligible Enterprise activities that facilitate a secondary market for mortgages on residential properties in the specified underserved markets.

Under the FHFA's proposed rule, Duty to Serve credit would be provided for activities that the Enterprises undertake related to financing manufactured housing units titled as real estate property and not chattel loans secured by personal property. In the proposal, FHFA states that real estate loans perform better and have lower default rates than chattel financing. While NAFCU and our members do not disagree that there may be some safety and soundness benefits to loans secured by real property, we do not believe that chattel loans have proven to be too risky or too costly for the market to bear. In contrast, NAFCU member credit unions often extend chattel loans secured by personal property in order to best serve their members in need of financing for a manufactured housing loan. Credit unions have a strong track record of safely and soundly originating and servicing chattel loans to their members. As such, NAFCU urges FHFA to revise its proposal to allow financial institutions such as credit unions that have experience making chattel loans on manufactured housing to be eligible for Duty to Serve Credits.

FHFA acknowledges in the preamble to the proposed regulation that chattel loans have many benefits for borrowers, including "being easier for a borrower to qualify for financing and having lower closing costs. *See* 80 FR 79189. Credit unions that extend chattel loans on a manufactured housing loan do so because such a loan is in the best interest of the member-borrower. NAFCU and our members firmly believe that including chattel loans extended to finance manufactured housing units squarely meets the statutory intent of *HERA* to "facilitate a secondary market for mortgagees on housing for very low, low-, and moderate-income families." NAFCU urges FHFA to revise the proposal to allow credit unions with experience extending chattel loans to be covered by the Duty to Serve credit. At a minimum, NAFCU believes FHFA should use credit union chattel lending as a template for the "pilot program" for the Enterprises to purchase chattel loans to better understand the nuances of chattel financing.

NAFCU believes preserving market stability with the Enterprises is essential to a healthy secondary mortgage market for credit unions. Our nation's credit unions need safe, affordable and fair access to the secondary mortgage market in order to effectively meet the lending needs of their 102 million members in communities across the country. NAFCU and our members believe the underlying statutory objectives to facilitate mortgage activities in traditionally underserved markets aligns well with the mission of federally insured credit unions across the country. NAFCU appreciates the opportunity to share our thoughts on the proposed changes to proposed adoption of the Underserved Markets Plans for the Enterprises. Should you have any questions or would like to discuss these issues further, please feel free to contact me at chunt@nafcu.org or (703) 842-2234.

Sincerely,

Carrie Hunt
Executive Vice President of Government Affairs and General Counsel