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National Association of Federal Credit Unions | nafcu.org

Carrie R. Hunt
Executive Vice President of Government Affairs
and General Counsel

March 22, 2016

Mr. Mel Watt
Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, D.C. 20552

RE: FHFA Principal Reduction Consideration

Dear Director Watt:

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) consideration of a principal reduction policy for underwater homeowners.

As you continue your careful consideration of the issue, NAFCU would like to express that while we strongly support protecting consumers, we believe that a FHFA policy of principal reduction could set a dangerous precedent. Principal reduction could create an incentive for at least some borrowers to strategically default, causing uncertainty in the marketplace.

Credit unions have a strong history of doing everything possible to keep members in their homes. As member-owned institutions, credit unions have a significant and unparalleled stake in ensuring that their members weather financial difficulties. Accordingly, credit unions have refinanced and modified thousands of member mortgages.

Therefore, NAFCU strongly urges the agency to refrain from implementing a principal reduction policy. Should you have any questions or would like to discuss these issues further, please do not hesitate to contact me at chunt@nafcu.org or (703) 842-2234, or Senior Regulatory Affairs Counsel, Michael Emancipator at memancipator@nafcu.org or 703-842-2249.

Sincerely,

Carrie R. Hunt