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National Association of Federally-Insured Credit Unions

February 26, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Committee Markup

Dear Chairwoman Waters and Ranking Member McHenry:

I write today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in regards to tomorrow's markup to share our thoughts on legislation before the Committee. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve nearly 120 million consumers with personal and small business financial service products.

NAFCU is pleased to see a focus by the Committee to address affordable housing for all Americans. Credit unions have long been an important source of credit to many Americans looking to purchase a home.

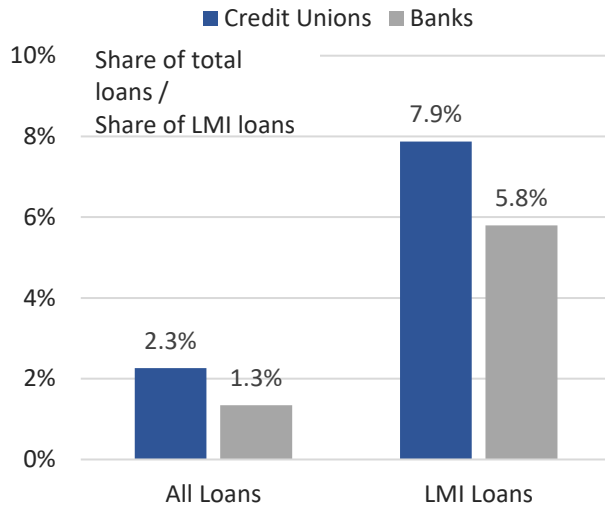
In particular, we want to express our support for H.R. 5931, the *Improving FHA Support for Small Dollar Mortgages Act of 2020*, introduced by Representatives Lacy Clay (D-MO) and Steve Stivers (R-OH), that would require the Federal Housing Administration (FHA) conduct a review of barriers to small-dollar mortgages (under \$70,000) and submit a report to Congress on its plans to remove those barriers.

Credit unions have a willingness to make small-dollar mortgage loans, which are an important tool to helping their members, including those who are low- and moderate-income (LMI). A recent Urban Institute study looking at the prevalence of purchase loans under \$70,000 in 2016 HMDA data found that such loans are relatively scarce due, in part, to their "lower sales commissions, spreads, and servicing income."¹ But credit unions, guided by the mission of serving their members rather than a profit motive, are far more likely than banks to originate such loans. In so doing, they make the dream of homeownership a reality for thousands of members that may not otherwise have access to mortgage credit.

The charts on the next page outline how credit unions outperform banks in terms of small dollar loans, both as a share of total loans and as a share of LMI small-dollar loans. Passage of H.R. 5931 is an important step to helping expand the availability of small-dollar loans.

¹ McCargo, Alanna, et.al. 2018. "Small-Dollar Mortgages for Single-Family Residential Properties." Washington, DC: Urban Institute.

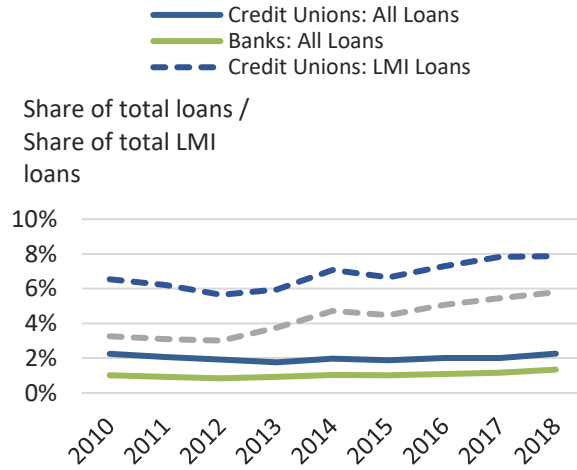
Small Dollar Loans



Notes: Small dollar loans are those with an origination amount of \$70,000 or below in 2016, indexed annually to national home price index.

Sources: NAFCU calculations from HMDA data, Case-Shiller U.S. National Home Price Index (annual average)

Small Dollar Loans



Notes: Small dollar loans are those with an origination amount of \$70,000 or below in 2016, indexed annually to national home price index.

Sources: NAFCU calculations from Home Mortgage Disclosure Act data, Case-Shiller U.S. National Home Price Index (annual average)

Thank you for the opportunity to comment on tomorrow’s mark-up. We appreciate your leadership and ongoing focus on issues important to credit unions. We look forward to working with you on these issues. Should you have any questions or require any additional information, please do not hesitate to contact me or Sarah Jacobs, NAFCU’s Associate Director of Legislative Affairs, at 703-842-2231 or sjacobs@nafcu.org.

Sincerely,

Brad Thaler,
 Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee