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**National Association of Federally-Insured Credit Unions**

March 23, 2023

The Honorable Sandra L. Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC 20219

**RE: Seasoned Bulk Transactions**

Dear Director Thompson:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing to request that the Federal Housing Finance Agency (FHFA) reinstate seasoned bulk transactions through Fannie Mae and Freddie Mac (together, the government-sponsored enterprises). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 135 million consumers with personal and small business financial services products. In today's rising interest rate environment, access to a variety of liquidity sources is very important for credit unions. Additionally, the topic of liquidity has surfaced following the recent failure of Silicon Valley Bank and Signature Bank. Selling residential mortgages has been an effective way for credit unions to generate liquidity and manage interest rate risks and the option to sell seasoned loans offers even yet another liquidity management tool.

Newly originated flow sales to the government-sponsored enterprises (GSEs) must be completed within six months from the origination date. Additionally, the GSEs have previously provided liquidity to credit unions through the seasoned bulk window for the sale of loans that are more than six months old. In April 2020, the FHFA directed the GSEs to temporarily suspend seasoned bulk transactions due to several factors stemming from the COVID-19 pandemic. Specifically, an unusually high volume of new mortgage originations beginning in March 2020; the size of the seasoned bulk market in relation to new flow originations; the uncertainty that forbearances would have on the housing market; and capital market participants trying to find a loophole to avoid the private securitization market. These conditions have since receded - in fact these conditions receded within a couple of months of the suspension of seasoned bulk transactions, but the suspension is still in place.

In February of this year, Fannie Mae issued a Lender Letter that stated, "we are requiring that loans sold on a flow basis be no more than six months old to be eligible for sale to us."<sup>1</sup> The ability

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<sup>1</sup> Lender Letter (LL-2021-03). Fannie Mae. February 15, 2023.  
<https://singlefamily.fanniemae.com/media/24811/display>.

to conduct bulk mortgage sales is a key tool that can help address numerous strategic issues, primarily liquidity and interest rate risk management. Additionally, ongoing balance sheet management is critical to strong financial performance for credit unions. The rising interest rate environment we are currently in can potentially leave credit unions at a liquidity disadvantage compared to banks that have access to a larger variety of liquidity sources.

Bulk transactions allow credit unions to address liquidity issues and ensure that they can continue originating portfolio mortgages. The new injection of funds from a seasoned bulk transaction enables lenders to reinvest in affordable housing loans. Not only are seasoned bulk transactions a critical source of liquidity for credit unions, but they are also a source of strong credit mortgages for the GSEs. Seasoned loans were originally intended to be held to term. Therefore, the lender has a vested interest in their credit quality and performance, and, consequently, seasoned loans typically have a positive payment history that is not available for newly originated loans. Additionally, credit unions always follow prudent underwriting practices and consistently deliver high-quality loans, with negligible default risk, to the GSEs.

The FHFA's mission is to ensure that the GSEs serve as a reliable source of liquidity and funding for housing finance and community investment.<sup>2</sup> The reinstatement of seasoned bulk transactions will further the FHFA's mission as those transactions have been a balance sheet management tool for credit unions for at least the past four decades. The reinstatement of the seasoned bulk transactions option is critical to ensuring credit unions and other community-based lenders have strong, varied liquidity management tools in their toolkit.

NAFCU appreciates the FHFA's attention to the market and issues important to credit unions and their members. NAFCU urges the FHFA to reinstate the ability for the GSEs to purchase seasoned bulk transactions. If you have any questions or concerns, please do not hesitate to contact me at [amoores@nafcu.org](mailto:amoores@nafcu.org) or (703) 842-2268.

Sincerely,



Aminah Moore  
Senior Regulatory Affairs Counsel

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<sup>2</sup> About FHFA. Federal Housing Finance Agency. March 20, 2023. <https://www.fhfa.gov/AboutUs>.