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National Association of Federally-Insured Credit Unions

August 13, 2020

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing,
& Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

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

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

RE: Fannie Mae and Freddie Mac's Mortgage Refinance Fees

Dear Chairman Crapo, Ranking Member Brown, Chairwoman Waters, and Ranking Member McHenry:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing to you regarding the recent policy change from Fannie Mae and Freddie Mac, the government-sponsored enterprises (GSEs), assessing a fee on mortgage refinance loans. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve nearly 121 million consumers with personal and small business financial service products. Although NAFCU appreciates that the GSEs must limit their losses and protect against credit and liquidity risks during the COVID-19 pandemic and subsequent economic crisis, we encourage you to urge the Federal Housing Finance Agency (FHFA) to immediately reverse this policy decision and help credit unions help their members deal with the impacts of these crises.

This “adverse market refinance fee,” as outlined in Freddie Mac’s Bulletin 2020-32 and Fannie Mae’s Lender Letter (LL-2020-12), will have a negative impact on the housing market and could hurt economic recovery efforts. Although preserving the safety and soundness of our nation’s mortgage industry is a top priority, credit unions and borrowers are facing significant challenges due to the pandemic and economic recession. This new fee puts credit unions in the difficult position of absorbing the cost or passing it onto their members as part of the cost of the refinance.

Borrowers are already facing challenges as they seek to refinance their mortgage loans for a lower interest rate to make their payments more affordable and free up cash to spend on other products or services. As a result of this “adverse market refinance fee,” refinancing their mortgage loan may become uneconomical, increasing the likelihood that these borrowers seek a forbearance on their mortgage payments and potentially risk defaulting on their loan. On behalf of the credit union industry and their members, we request that you urge the FHFA to reverse this untimely policy change and that you be prepared to take swift legislative action to stop it if they do not.

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Credit unions have already stepped up to the plate to help their members remain in their homes and offer other relief such as waiving fees and skip payment options. Credit unions are also facing ongoing operational difficulties due to the pandemic and anticipate an increase in loan modifications, troubled debt restructurings, defaults, and even bankruptcies as forbearance periods end, only further amplifying these difficulties. Furthermore, institutions may also see additional forbearance applications over the next few months as nearly 1 million Americans continue to file for unemployment protection on a weekly basis. Credit unions are already burdened with making advances on the payment of principle and interest for the first four months of a mortgage sold to the GSEs as well as paying taxes, insurance costs, and other fees required on loans in forbearance. Credit union service to their member-owners could suffer if they have to absorb additional fees on refinance mortgages to protect borrowers from this additional cost.

We appreciate your attention to this time-sensitive matter of critical importance to our nation's economy and the health of the mortgage industry. We stand ready to work with you on this important issue. If you have any questions or if I may be of assistance to you in any way, please do not hesitate to contact me directly or Brad Thaler, NAFCU's Vice President of Legislative Affairs, at 703-842-2204 or bthaler@nafcu.org.

Sincerely,



Carrie R. Hunt
Executive Vice President and General Counsel

cc: Members of the U.S. Senate Committee on Banking, Housing and Urban Affairs
Members of the U.S. House Committee on Financial Services