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National Association of Federally-Insured Credit Unions

B. Dan Berger
President & Chief Executive Officer

June 25, 2021

Sandra L. Thompson
Acting Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

RE: Amendments to the Preferred Stock Purchase Agreements

Dear Acting Director Thompson:

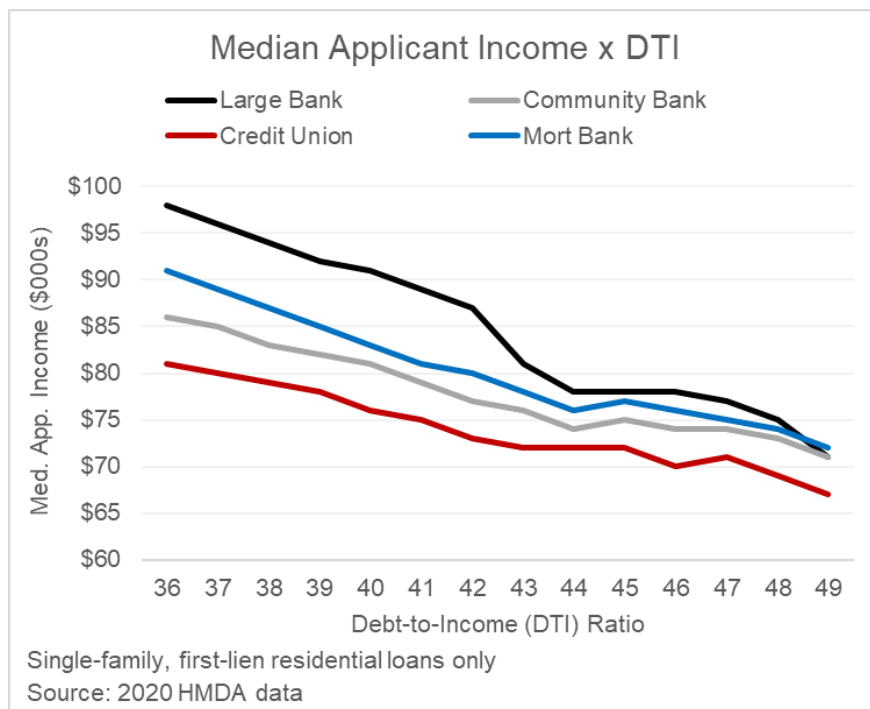
On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing to you regarding the Federal Housing Finance Agency's (FHFA) recent amendments, in conjunction with the Department of Treasury (Treasury), to the Preferred Stock Purchase Agreements (PSPAs) and the impact on credit unions' ability to provide Temporary Government-Sponsored Enterprises qualified mortgages (Temporary GSE QM or "GSE Patch"). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 125 million consumers with personal and small business financial service products. As you are aware, the Bureau of Consumer Financial Protection (Bureau or CFPB) extended the General QM definition's mandatory compliance date until October 2022.¹ NAFCU reiterates our request that the FHFA and Treasury urgently make the necessary adjustments to the PSPAs before July 1, 2021 to allow credit unions to continue utilizing the GSE Patch until October 2022.

As a result of the Bureau's extension, credit union lenders may utilize the new average prime offer rate (APOR)-based QM definition, the previous debt-to-income (DTI)-based General QM definition, and the GSE Patch until the mandatory compliance date. In the final rule, the Bureau noted that the delay of the mandatory compliance date was necessary, in part, to help ensure access to responsible and affordable mortgage credit and allow lenders greater flexibility in assisting borrowers affected by the COVID-19 pandemic. However, the recent amendments to the PSPAs limit the utility of the GSE Patch extension, diminishing the flexibility afforded by the Bureau. This will undoubtedly have a material impact credit unions' ability to serve their members and could further exacerbate the ongoing economic impacts due to the pandemic, which has disproportionately impacted Black and brown communities and low-income borrowers.

¹ Qualified Mortgage Definition Under the Truth in Lending Act (Regulation Z): General QM Loan Definition; Delay of Mandatory Compliance Date, 86 Fed. Reg. 22844 (April 30, 2021).

Pursuant to the amended terms, after July 1, 2021, the PSPAs limit the GSEs to acquiring loans defined as QMs by section 1026(e)(2), (5), (6), (7), or (f). In practical terms, this means the GSEs may only acquire GSE Patch loans before July 1, 2021. NAFCU remains concerned about adverse impacts on credit union lenders given the misalignment created by the PSPA amendments.

The GSE Patch has been a key factor in credit unions' ability to lend to members in their communities, especially those of low- and moderate-income, to help them achieve homeownership. Given the current housing market, with increased competition and low inventory, continued use of the GSE Patch is paramount for borrowers to ensure access to affordable mortgage credit. These trends are expected to continue and may shut out potential borrowers from accessing affordable credit. As illustrated below, credit unions provide more lending to low- and moderate-income earners at every DTI level, in part, because of their ability to utilize the GSE Patch. Amending the PSPAs to allow the GSEs to acquire GSE Patch loans until expiration in October 2022 will permit credit unions to better serve more of their members and additional time to adjust to the final rule.



NAFCU appreciates the opportunity to share its members' views on this matter. NAFCU asks that the FHFA work expeditiously with the Treasury to make changes to the PSPAs to resolve this mismatch with the CFPB's recent extension of the GSE Patch. In addition, NAFCU requests a meeting with you to discuss credit union priorities, housing market trends, and additional amendments to the PSPAs to better align with the priorities of the Administration and serve American communities.

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Should you have any questions or require additional information, please do not hesitate to contact me or Kaley Schafer, Senior Regulatory Affairs Counsel at (703) 842-2249 or kschafer@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is stylized with a large initial "B" and a long, sweeping underline.

B. Dan Berger
President & CEO

Cc: The Honorable Janet L. Yellen, Secretary of the U.S. Department of the Treasury