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Fred R. Becker, Jr.
President and CEO

April 4, 2011

The Honorable Scott Garrett
Chairman
House Financial Services Subcommittee on Capital Markets
and Government Sponsored Enterprises
United States House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Subcommittee on Capital Markets
and Government Sponsored Enterprises
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Garrett and Ranking Member ~~Waters:~~ Chairman Garrett

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, I write today with respect to the scheduled mark-up tomorrow of eight bills related to the future of Fannie Mae and Freddie Mac. We believe that the subcommittee's efforts are very well intentioned and welcome the opportunity to work with you on these issues. As you know, the housing finance system is of great importance to our nation's credit unions and NAFCU is committed to retaining a system that provides credit unions with the liquidity necessary to serve the mortgage needs of their 92 million members.

Addressing the shortcomings of Fannie Mae and Freddie Mac, and potentially how the secondary mortgage market will operate in their absence, is an extremely complex endeavor that requires in depth analysis before arriving at a solution. Given the breadth of the issues involved, NAFCU believes comprehensive legislation, as opposed to piecemeal efforts represented by the eight bills in question, is critical in bolstering the still struggling housing recovery and ensuring the future secondary market is able to support lenders of all size and borrowers relying on lender access to liquidity to achieve homeownership.

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While NAFCU urges the committee to focus on a comprehensive solution that takes into account the key principles our organization has put forward in previous correspondence, NAFCU also recognizes the need to further protect taxpayers while evaluating the scope of government participation in the housing market. It is with these concerns in mind that we could support aspects of some of the ideas put forward by members of the Committee.

For example, NAFCU could support efforts to eliminate the arbitrary affordable housing goals at Fannie Mae and Freddie Mac as proposed in "GSE Mission Improvement Act" [H.R. 1226] so long as underwriting standards do not become so restrictive that loans considered of quality by any reasonable standard are deemed unacceptable. NAFCU also believes there could be merit to suspending the current compensation packages for Fannie Mae and Freddie Mac employees and establishing a compensation system that is consistent with that used by the Federal Government as proposed in the "Equity in Government Compensation Act" [H.R. 1221] so long as these actions do not impact the viability of the GSEs. However, we do not believe that this issue has been fully vetted to determine if it would have a detrimental impact on the workforce of the GSEs and their ability to operate successfully.

With respect to the "Fannie Mae and Freddie Mac Accountability and Transparency for Taxpayers Act," [H.R. 31] NAFCU would be supportive of establishing a bolstered Inspector General within the FHFA from a policy standpoint if it were part of a more comprehensive package and set-up in the least costly manner possible. In addition, NAFCU would like to draw the committee's attention to one of the principles held by our members: creating a board of advisors made up of representatives from the mortgage lending industry, including credit unions, which would advise the FHFA regarding the GSEs. The bolstering of the FHFA Inspector General and the establishment of an industry board of advisors could be coupled as the legislative process moves forward.

That being said, NAFCU has serious reservations about other pieces of legislation being considered tomorrow as they seem premature given there is not a concrete plan to keep a healthy secondary market in place should Fannie and Freddie cease to exist in the future. For example, NAFCU does not support hard benchmarks for winding down the GSEs such as those suggested in the "GSE Portfolio Risk Reduction Act" [H.R. 1224] without a plan going forward. We also have concerns about increased guarantee fees proposed in "GSE Subsidy Elimination Act" [H.R. 1222] for the same reason. Additionally, it is unclear how an increase in fees will impact our credit unions members.

With respect to the "GSE Risk and Activities Limitation Act" [H.R. 1227], NAFCU believes that choices about Fannie Mae and Freddie Mac engaging in new activities while under conservatorship should be handled on a regulatory basis and that placing restrictive prohibitions on Fannie and Freddie could stifle innovation among lenders with respect to offering competitive mortgage products for consumers.

Lastly, we have concerns about the "GSE Credit Risk Equitable Treatment Act" [H.R. 1223], which would hold the GSEs to certain standards set for others in the secondary market. NAFCU believes this could hinder Fannie and Freddie from emerging from conservatorship, something that would be negative for taxpayers as it would lock in losses arising from the federal government capital injection into the GSEs. In addition, we believe it is critical that the essential functions of Fannie Mae and Freddie Mac are retained until taxpayers are made whole. The essential functions include, but are not limited to, purchasing and guaranteeing mortgages originated by credit unions.

In summary, NAFCU strongly believes that any legislation reported out of the Financial Services Committee must not disrupt the fragile housing finance system that given the latest reports remains in significant peril of recovery. While some of the very well intentioned bills before the subcommittee tomorrow may have some merit, NAFCU supports a more comprehensive effort in determining the future of housing finance that takes into account NAFCU's proposed principles (as outlined in our March 30, 2011 letter to the Subcommittee) to retain a healthy secondary mortgage market for credit unions and their members.

We thank you for this opportunity to provide our input on this crucial issue and NAFCU looks forward to working with you to find common ground on housing finance reform as the legislative process moves forward. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,

Fred R. Becker, Jr.
President/CEO

cc: Members of the Subcommittee on Capital Markets and GSEs