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September 12, 2011

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Johnson and Ranking Member Shelby:

I write today behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing our nation's federally chartered credit unions, in conjunction with respect to tomorrow's Senate Banking Committee hearing on housing finance reform and the worthiness of a government guarantee on mortgage back securities (MBS). NAFCU appreciates the committee prioritizing this issue and carefully reviewing all aspects housing finance reform before moving forward.

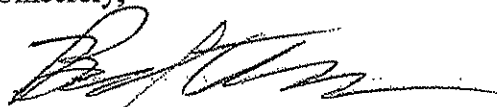
As you know from previous correspondence, NAFCU member credit unions have put forward several key principles that will ensure community based financial service providers are treated fairly during any housing finance reform process. One of these key principles is continuation of the U.S. government explicitly guaranteeing the payment of principal and interest on MBS. This explicit guarantee is critical in providing certainty to the market, especially for investors who will need to be enticed to invest in the MBSs and facilitate the flow of liquidity.

Housing finance reform involves consideration of many highly complex issues, including the role of the federal government, which shouldn't be changed quickly or without careful consideration. Fannie Mae and Freddie Mac own or guarantee a significant number of mortgages in the United States, and any piecemeal Congressional action could have serious unintended consequences for current and perspective homeowners. As you know, such a disruption could trigger a "double-dip" recession wreaking havoc on our country's economy and the broader global finance system.

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We thank you for holding this important hearing. NAFCU welcomes the opportunity to provide additional views 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 Associate Director of Legislative Affairs, Jillian Pevo, at (703) 842-2204.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Banking Committee