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B. Dan Berger
Executive Vice President
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December 13, 2011

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

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

Dear Chairman Garrett and Ranking Member Waters:

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 tomorrow's mark-up of the *Private Mortgage Market Investment Act*. While we do not endorse the bill in its current form, NAFCU commends Chairman Garrett for his leadership in tackling this complex issue. The Government Sponsored Enterprises (GSEs), including the Federal Home Loan Banks, are critical in providing credit unions the liquidity necessary to create new mortgages for their members. NAFCU looks forward to working with the subcommittee to ensure that any future housing finance system recognizes this and provides lenders of all sizes equal access to the secondary market.

The *Private Mortgage Market Investment Act* represents a well-intentioned effort to restore the private mortgage securities market while retaining essential functions of Fannie Mae and Freddie Mac in the short term. While this is a laudable goal, NAFCU remains concerned that efforts made in Congress, which could ultimately phase out the GSEs or put into place a secondary market without a government guarantee on the payment of principal and interest on mortgage backed securities, would be detrimental to the fragile housing market. Therefore, NAFCU does not support this legislation in its current form, as it does not include the explicit government guarantee necessary to facilitate a reliable flow of credit for credit unions and other stakeholders in the marketplace.

Despite underlying concerns with this legislation, NAFCU would like to express support for the provision in the bill preventing regulators from requiring investors to reduce the principal on mortgages they hold. Credit unions have a track record of working constructively with struggling mortgage borrows and have serious concerns about any forced mortgage modification approaches. NAFCU also appreciates the legislation's attention to credit risk retention. As the rule is currently proposed, NAFCU, along with a slew of other industry participants, has serious concerns about a 20 percent down payment requirement being instituted in order for mortgages to be considered QRMs. This will negatively affect moderate and low-income borrowers.

Lastly, NAFCU would like to recognize the emphasis that the *Private Mortgage Market Investment Act* places on uniform underwriting standards. Credit unions did not contribute to the financial crisis and pride themselves in solid underwriting that creates high quality loans. The past performance of credit unions cannot be overlooked in the legislative process. As you know from previous correspondence, NAFCU has adopted a set of reform principles that include any GSE fee structure recognizing loan quality in addition to size and volume.

NAFCU appreciates the subcommittee's work on this issue and thanks you for this opportunity to provide our input. If my colleagues and 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,

B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Subcommittee on Capital Markets and GSEs