



**National Association of Federal Credit Unions**  
3138 10th Street North • Arlington, Virginia • 22201-2149  
703-522-4770 • 800-336-4644 • Fax 703-522-2734

**Fred R. Becker, Jr.**  
*President and CEO*

March 26, 2012

The Honorable Spencer Bachus  
Chairman  
House Financial Services Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Barney Frank  
Ranking Member  
House Financial Services Committee  
United States House of Representatives  
Washington, D.C. 20515

**Re: *The FHA Emergency Fiscal Solvency Act of 2012***

Dear Chairman Bachus and Ranking Member Frank:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I write in conjunction with tomorrow's full Committee mark-up of the *Federal Housing Administration (FHA) Emergency Fiscal Solvency Act of 2012*. As you know, this bipartisan discussion draft was recently passed out of the Insurance, Housing, and Community Opportunity Subcommittee by voice vote.

NAFCU has long supported the important role the FHA plays in our nation's housing market. The FHA's viability is crucial, especially in providing an option for those who would otherwise be unable to obtain a mortgage in the conventional mortgage market. Therefore, NAFCU strongly supports provisions in this legislation that will ensure FHA has the ability to better manage financial risk moving forward. NAFCU would also like to voice support for the amendment offered by Representative Stivers of Ohio during the Subcommittee mark-up, which would help to ensure the indemnification process at FHA focuses on "serious and material" instances of noncompliance. This provision, now in the underlying bill, will help ensure that FHA lenders are acting responsibly and being treated fairly throughout the process.

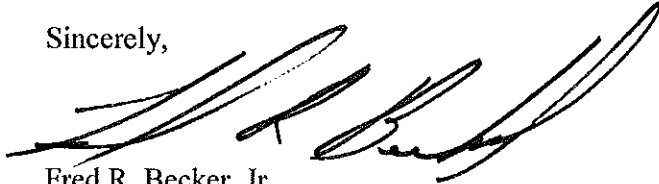
Given the Committee's concerns about the solvency of the FHA, NAFCU would also like to once again bring to the Committee's attention an increasing trend whereby homeowners who have the capacity to make their mortgage payments instead choose to default. This concept of "strategic default" is troubling to community-based financial institutions like credit unions. As you may know, the FHA's current policy, with respect to strategic default, is barring such borrowers from obtaining another FHA loan for a minimum of three years. Comparatively, Fannie Mae has instituted a policy that would prohibit such borrowers for seven years. In short, because of the discrepancy in lockout periods related to strategic default, FHA can be viewed as a safe haven for those who strategically

The Honorable Spencer Bachus  
The Honorable Barney Frank  
March 26, 2012  
Page 2 of 2

defaulted on previous mortgages. This risk to the taxpayer, encouraged by FHA policies, is a critical part of the safety and soundness conversation that must be explored.

I greatly appreciate your time and attention as the Committee prepares to mark-up the *FHA Emergency Fiscal Solvency Act of 2012*. 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 Senior Associate Director of Legislative Affairs, Jillian Pevo, at 703-963-7082.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred R. Becker, Jr.", written in a cursive style.

Fred R. Becker, Jr.  
President and CEO

cc: Members of the House Financial Services Committee