



**National Association of Federal Credit Unions**  
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**Fred R. Becker, Jr.**  
*President and CEO*

April 24, 2012

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, D.C. 20510

**Re: Guarantee Fees Charged to Lenders by the GSEs Merits Full Debate**

Dear Leader Reid and Leader McConnell:

I write today 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, with respect to the guarantee fees charged to lenders by the housing Government Sponsored Enterprises (GSEs) to protect against credit-related losses. As you know, the guarantee fee structure has been a continued focus of lawmakers as Congress grapples with deficit reduction and how to pay for other spending priorities.

As discussed by President Obama in his speech this afternoon, interest rates on government-backed student loans are scheduled to increase unless Congress acts in the near future. While NAFCU understands the pressing nature and noble cause of this situation, its member credit unions urge great caution against increasing the guarantee fee charged to lenders by the GSEs as a way to offset the costs of maintaining current student loan interest rates. Simply put, higher guarantee fees for financial institutions with mortgage portfolios that utilize Fannie Mae and Freddie Mac will inevitably lead to higher costs for borrowers. As not-for-profit cooperatives, credit unions do not issue stock or pay dividends to outside stockholders. This means that credit union member-owners are directly affected by additional fees imposed by the federal government. At a time when the housing market is still struggling to recover from the aftermath of the financial crisis, raising guarantee fees would be counterproductive as increased costs passed onto to consumers could serve as a barrier to new home purchases and refinances.

In addition, NAFCU is concerned that Congress is routinely discussing raising guarantee fees without having a healthy and robust debate on the current guarantee fee structure. Credit unions and other community based financial services providers are at a significant disadvantage compared to large mega-banks due to the current fee structure placing emphasis on the quantity of mortgages a lender sells to Fannie Mae and Freddie Mac.

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NAFCU has long argued that preferential pricing practices based on the asset size of the lender, or the volume of loans sold, must end. 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.

We thank you for your consideration and welcome the opportunity to discuss this matter further. 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,

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

Fred R. Becker, Jr.  
President and CEO

cc: Members of the United States Senate