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**B. Dan Berger**  
Executive Vice President  
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National Association of Federal Credit Unions | [www.nafcu.org](http://www.nafcu.org)

February 27, 2013

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

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

**Re:** “Addressing FHA’s Financial Condition and Program Challenges, Part II” hearing

Dear Chairman Johnson and Ranking Member Crapo:

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 hearing, “Addressing FHA’s Financial Condition and Program Challenges, Part II.” Given the increase in FHA guaranteed mortgages in recent years, and questions surrounding the stability of the Mutual Mortgage Insurance Fund, NAFCU appreciates the Committee holding this important hearing.

Given the concerns of Committee members about the solvency of the FHA, NAFCU would also like to once again bring to the Committee’s attention an ongoing 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. Simply put, policy makers should ensure that policies do not unintentionally create an incentive for borrowers to walk away from their mortgages.

As you may know, the FHA’s current policy with respect to strategic default is to bar 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.

The FHA recently pledged to use enforcement measures against bad actors that solicit borrowers with the false pretense that they can “automatically” qualify for an FHA loan after three years without meeting a host of other requirements. Still, NAFCU remains concerned about the FHA’s general policy on this issue and encourages Congress to exercise additional oversight in this area. Lawmakers should actively debunk the idea that the FHA is a safe haven for those who strategically defaulted on previous mortgages. This risk to the taxpayer, encouraged by current FHA policy, is a critical part of the safety and soundness conversation that must be reviewed.

As you know, 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. As community-based financial service providers, credit unions take great pride in responsibly assisting their member-owners attain homeownership. To that end, NAFCU looks forward to working with the Committee on FHA and related housing finance reform issues during this session of Congress.

Thank you for holding this important hearing today. If NAFCU can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me 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 'B. Dan Berger', with a long horizontal flourish extending to the right.

B. Dan Berger  
Executive Vice President of Government Affairs

cc: Members of the Senate Committee on Banking, Housing and Urban Affairs