



3138 10th Street North  
Arlington, VA 22201-2149  
703.842.2803 | 800.336.4644  
F: 703.522.0594  
dberger@nafcu.org

**B. Dan Berger**  
Executive Vice President  
Government Affairs

National Association of Federal Credit Unions | [www.nafcu.org](http://www.nafcu.org)

May 13, 2013

The Honorable Jon Tester  
Chairman  
Subcommittee on Securities, Insurance,  
and Investment  
Senate Committee on Banking,  
Housing and Urban Affairs  
United States Senate  
Washington, D.C. 20510

The Honorable Mike Johanns  
Ranking Member  
Subcommittee on Securities, Insurance,  
and Investment  
Senate Committee on Banking,  
Housing and Urban Affairs  
United States Senate  
Washington, D.C. 20510

Dear Chairman Tester and Ranking Member Johanns:

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 hearing, "Returning Private Capital to Mortgage Markets: A Fundamental for Housing Finance Reform." As you know from previous correspondence, the future of housing finance is of great importance to our nation's credit unions.

As you continue to contemplate the role of private capital and government sponsored enterprises in our nation's housing finance system, NAFCU would like to reiterate to the subcommittee the importance of retaining a housing finance system that provides credit unions with unrestricted access to the secondary mortgage market. This source of liquidity is critical to enabling credit unions to serve the mortgage needs of their 95 million member-owners across the country. As the housing market continues to recover from the financial crisis, it is especially critical that lawmakers and regulators strike the necessary and proper balance for the government's role in the housing finance sector.

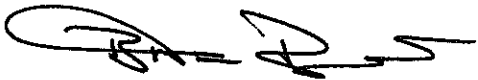
In addition to a healthy and viable secondary mortgage market that provides necessary access for community-based financial service providers like credit unions, Congress, in any reform effort, must put into place safeguards that will prevent discrimination based on type of institution, an institution's asset size or any geopolitical issues. To ensure this type of discrimination does not take place, NAFCU believes there needs to be a heavy focus on fair pricing that reflects loan quality as opposed to standards almost exclusively based on loan volume. Loan quality and underwriting standards are the best way to ensure a healthy and efficient secondary market and a strong housing economy.

While NAFCU and its member credit unions continue to have a constructive dialogue with the Federal Housing Finance Agency (FHFA), we are concerned about the recently announced policy that would limit future Fannie Mae and Freddie Mac acquisitions to loans that meet the "qualified mortgage" definition. In effect, the FHFA's new policy excludes currently-eligible loans from a large part of the secondary market.

As NAFCU has already expressed to the FHFA, we are concerned that the loss of a secondary market for non-qualified mortgage loans may only serve to exacerbate legal uncertainty and limit further the options of borrowers, especially those in underserved and rural communities. It is precisely in such communities that borrowers need flexible options that the FHFA's policy would limit. In addition, lenders, already facing the legal and enforcement risks of the CFPB's regulations, will be left with severely reduced incentives to extend non-qualified mortgages if the FHFA bars Fannie and Freddie from purchasing them. The end result is that a number of otherwise financially healthy borrowers, who do not meet the stringent qualified mortgage standards for one reason or another, may be denied a mortgage, and the housing market and the secondary housing market will contract, further exasperating the issues facing all involved parties.

Thank you for this opportunity to provide input on this critical issue. NAFCU welcomes the opportunity to provide additional views on housing finance reform as the legislative process progresses. 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 Vice President of Legislative Affairs, Brad Thaler at (703) 842-2204.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is fluid and cursive, with a large initial "B" and "D".

B. Dan Berger  
Executive Vice President, Government Affairs

cc: Members of the Senate Banking Committee