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February 5, 2013

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

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

Re: *The Role of the Federal Housing Administration in Housing Finance*

Dear Chairman Hensarling and Ranking Member Waters:

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, "*The Role of the Federal Housing Administration (FHA) in Housing Finance.*" 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. During consideration of the *FHA Emergency Fiscal Solvency Act of 2012* (H.R. 4264) last Congress, NAFCU strongly supported provisions of the legislation that would have given the FHA necessary tools to better manage financial risk.

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 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 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.

The FHA recently pledged to enforce additional enforcement for those bad actors soliciting 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.

Again, thank you for holding this important hearing today. 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
NAFCU

cc: Members of the House Financial Services Committee