



Credit Union National Association

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January 8, 2014

Branch Chief
Regulations & Paperwork Management Branch
United States Department of Agriculture
1400 Independence Ave. SW
Washington, DC 20250

Re: Interim Final Rule – Single Family Housing Guaranteed Loan Program;
RIN 0575-AC18

To Whom It May Concern:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments to the United States Department of Agriculture (USDA) regarding its interim final rule establishing the Single Family Housing Guaranteed Loan Program (SFHGLP). By way of background, CUNA is the largest advocacy organization in the country for state and federal credit unions, which serve nearly 99 million members.

CUNA'S VIEWS ON THE PROPOSAL

I. CUNA Supports the SFHGLP

CUNA appreciates the effort of USDA, through its Rural Development division, in issuing this final rule to establish the SFHGLP. We support the SFHGLP, the general purpose of which is to “provide low- and moderate-income persons who will live in rural areas with an opportunity to own decent, safe, and sanitary dwellings and related facilities.” 7 C.F.R. § 3555.2. Numerous credit unions operate in rural areas and we believe this program will benefit not only credit union members in these areas but also the broader communities.

We appreciate the rule’s delayed effective date of September 1, 2014, which Rural Development has indicated will be used to provide training to participating lenders and allow time for computer system changes. Further, we appreciate Rural Development’s recognition of “the general need to make the program more ‘user-friendly’ and more compatible with existing mortgage lending practices,” as noted in the rule’s Supplementary Information. We encourage Rural Development and



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USDA to examine similar programs with an eye toward increasing usability by both lenders and borrowers.

We urge Rural Development to make available as early as practical the administrative instruction handbook mentioned in the Supplementary Information. The details anticipated in the handbook will provide credit unions and other lenders with much-needed information to assess whether and how to participate in the SFHGLP. Further, we ask Rural Development to consider making additional resources available, such as webinars and audio conference. CUNA and our state credit union leagues would welcome the opportunity to promote and/or partner with USDA on such outreach efforts.

II. Requirements for Lender Participation in the SFHGLP

We support the rule's lender eligibility requirements that limit participation in the SFHGLP to lenders that have demonstrated the ability to underwrite and service single-family home loans. Specifically, we believe the criteria in § 3555.51 for showing that a lender has demonstrated this ability are appropriate; these include lenders approved by Fannie Mae or Freddie Mac for single-family loans, as well as lenders regulated by the National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation, and other federal regulatory agencies.

We appreciate Rural Development's recognition of credit unions as a viable option for borrowers in certain rural areas. We urge USDA to consider credit unions as a lending option as the Department revisits existing lending programs and develops new ones.

III. Loan Requirements

Eligible Costs & Purposes: We support the eligible costs and loan purposes described in § 3555.101 of the rule, which states that loan funds must be used to acquire a new or existing dwelling to be used by the applicant as a principal residence. Eligible loan purposes include construction or purchase of a new dwelling; cost of acquisition of an existing dwelling; or cost of repairs associated with the acquisition of an existing dwelling.

Permissible Interest Rate: We support the permissible interest rate as set forth in § 3555.104(a) of the rule. The rule requires the rate to be fixed and to not exceed the greater of the Fannie Mae or Freddie Mac rate for 30 year fixed rate conventional loans.

Repayment Period Limit: Prior to the final rule, Rural Development only permitted mortgage loans with 30-year terms. Under the SFHGLP, "the term of the loan may not exceed 30 years." § 3555.104(b).

We appreciate Rural Development's effort to provide flexibility by allowing loan terms of less than 30 years. However, we believe, under certain circumstances, credit unions and their members could benefit from a longer repayment period option since federal credit unions are authorized to make mortgages of up to 40 years. While we recognize that such an extended repayment period may not be appropriate for all loans, we ask Rural Development to consider extending the permissible repayment period to no more than *40 years* to provide parity with the limit permissible for federal credit unions under the Federal Credit Union Act, which is promulgated in section 701.21 of NCUA's regulations.

Rural Development has indicated in the rule's Supplemental Information that loans under the SFHGLP are statutorily limited to 30 years, stating that, "Under the Housing Act of 1949, as amended, loan terms may be up to 30 years, but not greater." 42 U.S.C. § 1472(h)(7)(A). However, we believe USDA may have some flexibility regarding term length.

Specifically, section 1472(a) of the Housing Act recognizes certain circumstances under which USDA may extend the repayment period of a loan. Though this section does not expressly address credit unions or other lenders with permissible loan terms that exceed 30 years, it does acknowledge that exceptions to the 30-year limit may be appropriate. 42 U.S.C. § 1472(a)(2). We ask Rural Development to review this and other relevant statutory provisions that may provide USDA with the authority to permit loan terms under the SFHGLP that exceed 30 years. We believe allowing credit unions to make loans under the SFHGLP with repayment periods of no more than 40 years, under appropriate circumstances, is wholly consistent with NCUA's existing regulations in this area.

CONCLUSION

For the reasons set forth in this letter, CUNA strongly supports Rural Development's effort to establish a program directed at increasing lending in rural areas. While we support the SFHGLP, we ask Rural Development to consider extending the permissible loan term to 40 years, as discussed above. We would welcome the opportunity to talk with NCUA further about the views we have expressed in our letter. In the meantime, if you have any questions about our comments, please do not hesitate to contact CUNA SVP and Deputy General Counsel Mary Dunn or me at (202) 508-6743.

Sincerely,



Luke Martone
Senior Assistant General Counsel