Thank you Ranking Member Waters for holding this important panel discussion, and for inviting the Credit Union National Association to participate. CUNA is the largest advocacy organization representing the nation's almost 7,000 credit unions and their 97 million members.

Credit unions have been actively engaged in mortgage lending since the 1970s. Our origination volumes rose sharply in the recent financial crisis, as credit unions remained able to lend while major parts of the secondary market collapsed. Last year credit unions originated $123 billion of first mortgage loans, representing 6.5% of the market. Credit unions are now significant players in residential real estate finance.

Credit unions originate mortgage loans both for their own portfolios, and for sale to the secondary market. The decision to hold or sell a loan depends primarily on the management of interest rate risk, and varies through time. Up until 2008, credit unions sold only a third of their new loans. Since then, as long-term interest rates have plummeted, credit unions have found it prudent to sell over half of their new loans. In the first quarter of this year, they sold 58% of originations.

The fact that many loans will be held on credit unions' books makes them prudent lenders. The fact that interest rate risk management often requires selling a significant portion of loans, means an effective and accessible secondary market is vital to credit unions.

We fully appreciate the need to reform the current system of housing finance. We are concerned, however, that reform does not hinder the ability of credit unions to meet their members' housing finance needs in a member-friendly, cooperative way.

We do have a few principles that we hope that new system will accommodate.

1. There must be equal access to the secondary market for lenders of all sizes. CUNA understands that the users – lenders and borrowers -- of a reformed secondary market will be required to pay for it, and the costs may be somewhat higher than before the financial crisis. However, fees should not have any relationship to lender volume.
2. The entities providing secondary market services must be subject to rigorous regulatory and supervisory oversight to ensure safety and soundness and equal access. They should be subject to strong capital requirements but have flexibility to operate and develop new programs in response to changing market forces.
3. The new system must ensure that even in troubled economic times, mortgage loans will continue to be made to qualified borrowers.

4. The new housing finance system should emphasize consumer education and counseling as a means to ensure that borrowers receive appropriate mortgage loans.
5. The new system should include consumer access to products that provide predictable, affordable mortgage payments to qualified borrowers. Traditionally this has been provided through the 30-year fixed rate mortgage.
6. The new housing finance system should apply reasonable conforming loan size limits that adequately take into consideration variations in local real estate costs.
7. The important role of government support for affordable housing should be a function separate from the responsibilities of the secondary market entities. The requirements for a program to stimulate the supply of credit to lower income borrowers are not the same as those for the more general mortgage market. We believe that a connection between these two goals could be accomplished by adding a small supplement to guarantee fees, the proceeds of which could be used by some other federal agency in a more targeted fashion to further affordable housing goals.
8. Most market participants define servicing as the process whereby monthly payments from borrowers are routed to investors, and how delinquencies are dealt with. While credit unions understand the importance of those functions, they also view loan servicing as an opportunity to continue to provide excellent service to their members after the loan has been made. Credit unions should be able to continue to perform servicing for their members in the future.
9. The transition from the current system to any new housing finance system must be reasonable and orderly.

Ranking member Waters, thank you for the opportunity to present the views of credit unions. I look forward to your questions.