Credit Union National Association
CUNA

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The Honorable Maxine Waters,
Chairwoman
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry,
Ranking Member
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

Thank you for holding the hearing entitled, "Housing in America: Assessing the Infrastructure Needs of America's Housing Stock." The Credit Union National Association (CUNA) represents America's state and federal credit unions and the 115 million members that they serve.

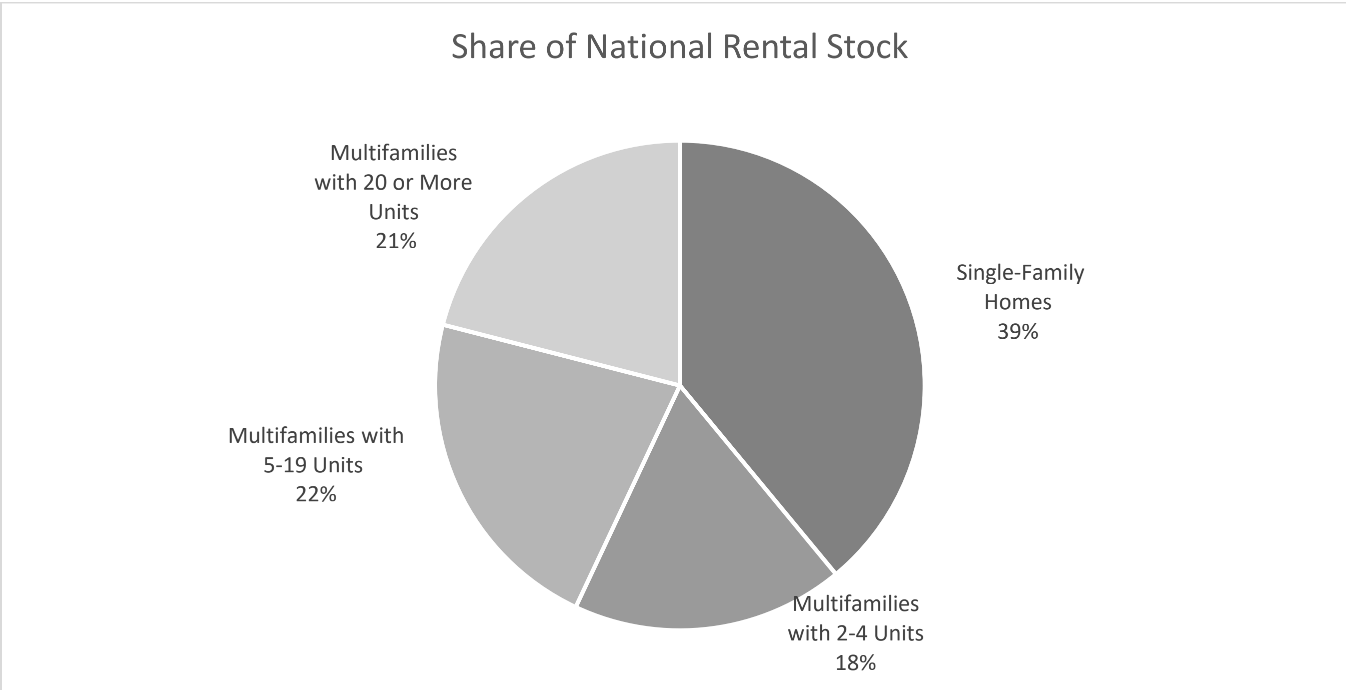
Credit unions play an increasingly important role in the housing finance market and, as a result, have a vested interest in ensuring an adequate supply of housing stock. Many credit union members, throughout the United States, live in communities where the nation's housing stock has become more limited and unaffordable. In fact, according to a recent analysis by the Joint Center for Housing Studies of Harvard University,[1] "[o]f the 93 large metros tracked by Zillow, only one had a for-sale inventory of more than 6.0 months in 2017."[2] Additionally, "[b]etween 2000 and 2017, real prices for the nation's lowest-cost [for-sale] units soared nearly 80 percent, compared with 28 percent for highest-cost units."[3]

This shortage in affordable for-purchase housing stock has led a growing number of credit union members to seek out affordable rental-housing options. As not-for-profit, financial cooperatives with a mission of helping those of modest means, credit unions are both eager and willing to respond to this reality and the changing needs of their members and communities. Unfortunately, statutory constraints have made it extremely difficult—if not impossible—for most credit unions to help fill the affordable rental housing void.

Under existing law, credit unions are subject to a statutory cap that limits most to lending no more than 12.25% of their assets to businesses.[4] However, of the available rental stock that currently exists in the United States, approximately 61 percent is considered multifamily with 2 or more

[1] State of Nation's Housing 2018, Joint Center for Housing Studies of Harvard University, *available at* https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf (last accessed Apr. 26, 2019).
[2] *Id.* at 10.
[3] *Id.* at 12.
[4] *See* 12 CFR § 723.8 (a).

units.[5] Until just last year, credit union financing of multifamily housing units was subject to the member business lending cap.



Source: Joint Center for Housing Studies of Harvard University (America's Rental Housing 2017).

The recent enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 modified the Federal Credit Union Act to exclude from the member-business lending cap "[a]ny loan that is fully secured by a lien on a 1- to 4- family dwelling".[6] This change is an important step toward credit unions fulfilling their mission and assisting our members in obtaining affordable rental housing. We are grateful to both Congress and the Administration for recognizing the need to eliminate the impediment to credit unions in this area. Moreover, we look forward to reporting back to Congress on how credit unions have been able to increase their financing in the 1- to 4- family dwelling space as a direct result of these changes.

For the remaining multifamily units, however, the member business lending cap continues to serve as a substantial barrier to credit unions seeking to serve their members and communities. The explanation for why lies in the math.

For example, a 2017 Study by the Terner Center for Housing Innovation at the University of California Berkeley found that the cost of building a 100-unit affordable project in California has increased to approximately $425,000 per unit.[7] Yet, 4,991 of the 5,530 credit unions currently operating in the United States—that's more than 90 percent—have $500 million or less in total

[5] America's Rental Housing 2017, Joint Center for Housing Studies of Harvard University, *available at* https://www.jchs.harvard.edu/sites/default/files/03_harvard_jchs_americas_rental_housing_2017.pdf (Last accessed Apr. 27, 2019).
[6] Pub.L. 115–174.
[7] Terner Center Research Series: The Cost Of Building Housing, available at https://ternercenter.berkeley.edu/construction-costs-series (Last accessed Apr. 26, 2019).

assets.[8] As a result, the $42,500,000 cost of a single 100-unit multifamily, affordable housing project in California would consume **85%** of the total funds available to a credit union for **all member business loans** under the current statutory cap of 12.25 percent. We hope this example shows how the statutory cap constraint, when combined with cost realities and safety and soundness considerations, is working in a way the prohibits credit unions from moving broadly into the multifamily market to assist the nation in producing more affordable rental housing stock.

Conclusion

Credit unions are committed to not only serving our members, but also serving our communities. As Congress looks for solutions to the problems surrounding this nation's increasingly limited housing stock, we hope that it will recognize the potential for credit unions to help alleviate the challenge by revisiting the arbitrary statutory cap that limits most credit unions to currently lending no more than 12.25% of their assets to businesses.

On behalf of America's credit unions and their 115 million members, thank you for your consideration of our views on this important issue.

Sincerely,

Jim Nussle
President & CEO

[8] *See* NCUA Releases Q1 2018 Credit Union System Performance Data, *available at* https://www.ncua.gov/newsroom/news/2018/ncua-releases-q1-2018-credit-union-system-performance-data (last accessed Apr. 26, 2019).