July 15, 2020

The Honorable Al Green  
Chairman  
Committee on Financial Services  
Subcommittee on Oversight and Investigations  
United States House of Representatives  
Washington, DC 20515

The Honorable Andy Barr  
Ranking Member  
Committee on Financial Services  
Subcommittee on Oversight and Investigations  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Green and Ranking Member Barr,

On behalf of America’s credit unions, I am writing to express our views ahead of the hearing entitled “Protecting Homeowners During the Pandemic: Oversight of Mortgage Servicers’ Implementation of the CARES Act.” The Credit Union National Association (CUNA) represents America’s credit unions and their 115 million members.

As expected, the widespread adoption of “stay-at-home” policies has resulted in economic disruption across the country. Small businesses have seen revenue streams come to a halt and the number of unemployed or financially distressed consumers has increased to historic levels. In response, Congress took action to provide relief to borrowers of government-backed loans and the FHFA has also taken steps to provide relief to those same borrowers. We appreciate those substantial efforts and encourage the FHFA to ensure there is consistency between the policies within their regulatory purview and the directives of Congress.

From the outset of the COVID-19 pandemic, credit unions have worked to ensure that their members, employees and volunteers remain safe and healthy, and that they are able to continue providing access to financial services to their members:

- 95% of credit unions are offering loan forbearances;
- More than 85% are waiving fees; and
- 80% have created new loan products to meet members’ pressing needs.  

Still, many Americans have experienced extreme hardship and job loss as a result of the pandemic. Economic experts anticipate a host of foreclosures and evictions in the months ahead.

**Mortgage and Rental Assistance Programs**

Millions of renters and homeowners face financial risks because of the pandemic. We know this because many of them are credit union members. It is imperative we work to ensure that they can stay in their homes as the economy recovers. We must also ensure that all stakeholders throughout the mortgage and rental pipelines are supported as well.

That is why we support H.R. 6820, the Emergency Rental Assistance and Rental Market Stabilization Act of 2020 which would establish a $100 billion emergency rental assistance program that is directed to the states and S. 3620, which would establish a $75 billion Housing Assistance Fund which would provide those resources directly to state Housing Finance Agencies. These are models that we believe can and should be expanded.

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1 Ongoing survey of credit unions conducted by the Credit Union National Association (CUNA). Survey results as of March 27, 2020
See https://www.americascreditunions.org/
**Mortgage Forbearance**

While we support initiatives to aid distressed mortgage borrowers, CUNA is increasingly concerned about the impact a large volume of mortgage forbearances will have on the liquidity of mortgage servicers. The longer that mortgage servicers, especially non-bank servicing companies like credit union service organizations (CUSOs), are expected to deliver scheduled payments while the borrowers themselves are in deferment, the greater the likelihood that servicers will start to experience liquidity issues. We recommend policymakers act to provide a funding source accessible to mortgage servicers as the financial disruption becomes prolonged. We believe Congress should create a financing program, or liquidity facility, for mortgage servicers in need of assistance in order to preserve their ability to respond to the unprecedented levels of payment forbearance required to help families affected by COVID-19.

**Troubled Debt Restructuring (TDR)**

The Troubled Debt Restructuring (TDR) exemption, created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), will expire at the end of 2020, or 60 days after the end of the national emergency, whichever is earlier. We believe the current situation warrants that this deadline be extended.

Under the CARES Act § 4013 and interagency guidance, if a loan was current either on December 31, 2019, or at the time of modification, COVID-related modifications to the loan are exempt from TDR treatment. However, under CARES Act § 4022, borrowers of federally-backed mortgage loans (Fannie, Freddie, VA, FHA) may request and obtain forbearance of up to 12 months during the national emergency.

The TDR exemption lasts only until the end of 2020, but most forbearances will not end until 2021 (at which time credit unions will likely need to modify the loan). As a result of the unintentional provision misalignment, lenders will need to account for many loans modified due to COVID-19 as TDRs. The financial impact on credit unions will be significant.

The economic impact of the COVID-19 pandemic on borrowers and financial institutions will likely last well beyond the conclusion of this calendar year. We encourage the Committee and Congress to extend the CARES Act’s temporary TDR relief for an additional year, until the end of 2021, and to continue working with the financial regulators to ensure the interagency guidance on TDRs remains in effect for the duration of the crisis and its aftershocks. Such action is necessary to provide credit unions enough time to meaningfully and effectively help financially distressed members.

**Central Liquidity Facility (CLF)**

The Central Liquidity Facility (CLF) is a quasi-government corporation created to improve the financial stability of credit unions. This is accomplished by serving as a lender to credit unions experiencing unexpected liquidity shortfalls. The CLF exists within the NCUA and member credit unions own the facility.

America is in the middle of what might be the greatest economic disruption since the Great Depression, and we appreciate the enhancements to the CLF provided in the CARES Act. These enhancements extend through 2020 in order to aid credit unions experiencing unusual or unexpected liquidity shortfalls. Prior to the enactment of the CARES Act, the CLF had the authority to borrow at twelve times the subscribed capital stock and surplus of the CLF. We are appreciative that the CARES Act increased the multiplier from twelve to sixteen, meaning that, for every $1 of capital and surplus, the CLF can now borrow $16. Additionally, we appreciate temporary access for corporate credit unions to the CLF under the CARES Act.

Currently, credit unions have ample liquidity and that liquidity is increasing in the face of declining loan demand and increasing deposits. Economic impact payments were a significant source of this increased liquidity. As the economy opens and improves, however, loan demand will rise very quickly. At the same time, deposits are apt to decline as spending increases and consumers begin to seek out investment opportunities. We anticipate this to begin in 2020, but it will likely extend into 2021 and beyond because unemployment lags economic recovery. We also anticipate the biggest demand for liquidity will almost certainly occur later in 2021. Thus, we encourage the Committee and Congress to extend the enhancements to the CLF through 2021 and increase the borrowing authority multiplier from sixteen to twenty-five.
Housing Guidance, Assistance, and Resources

Credit unions have encountered an unprecedented number of distressed borrowers seeking assistance requests and flooding call centers. As forbearance requests increase, so too do the questions surrounding the process and procedures. We call on Congress to urge the Federal Housing Finance Agency (FHFA) and the government sponsored entities (GSE) to issue guidance and additional resources addressing the treatment of escrow, private mortgage insurance (PMI), credit life, credit disability, and interest during the period of loan deferment and after the deferment concludes. FHFA and the GSEs could provide clarity on the timing of an escrow analysis and the options for repayment of unpaid escrow.

Specific guidance on collections and servicing practices would also be helpful as lenders are attempting to comply with the myriad of executive orders and foreclosure and collection moratoriums/limitations regarding real property loans from various new state and local laws and regulations and federal government actions.

Furthermore, CUNA supports any down payment assistance, provided by the housing finance agencies, to enable minority and low- to moderate-income homebuyers to become homeowners. Homeownership is an important way for consumers to build wealth, and any assistance is especially critical during this time.

Conclusion

As the COVID-19 pandemic persists, it is necessary that credit unions remain in a position to help Americans and small businesses across the country. With that in mind, extending the TDR exemption and CLF enhancements through 2021 would have a significant impact in ensuring credit unions continue to be there for their members.

On behalf of America’s credit unions, thank you for holding this important hearing and for the opportunity to share our views.

Sincerely,

Jim Nussle
President & CEO