

September 15, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "Prioritizing Fannie's and Freddie's Capital over America's Homeowners and Renters? A Review of the Federal Housing Finance Agency's Response to the COVID-19 Pandemic." The Credit Union National Association (CUNA) represents America's credit unions and their 120 million members. We request this letter be added to the record of the hearing, and we appreciate your consideration of our views.

As the COVID-19 pandemic persists, we have seen 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.

Mortgage Forbearance

Credit unions have encountered an increased number of distressed borrowers seeking forbearances or other assistance. 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), the Federal National Mortgage Association (Fannie) and the Federal Home Loan Mortgage Corporation (Freddie, and together with Fannie the GSEs) to issue clarifying guidance and additional resources regarding 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 any required 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 federal, state and local executive orders and foreclosure and collection moratoriums/limitations regarding real property loans.

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. With that in mind, CUNA must oppose H.R. 6741, the COVID-19 Mortgage Relief Act, which expands the CARES Act foreclosure and forbearance without providing the requested assistance. Lenders and servicers cannot be expected to continue to cover the costs of forbearance indefinitely without some form of assistance.

Homeowner 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. Therefore, we support H.R. 6729, the COVID-19 Homeowner Assistance Fund Act, which provides \$75 billion for states and territories to prevent mortgage defaults, foreclosures, and displacements of individuals and families experiencing financial hardship due to COVID-19.

Refinance Mortgage Fee Increase

As we stated in our correspondence with FHFA, CUNA opposed the recently announced 0.5% adverse market fee increase for certain refinanced mortgages purchased by the GSEs. That said, we appreciate that FHFA delayed implementation of this fee by three months, until December 1st, and exempted refinance loans with loan balances below \$125,000 from the fee. We understand Fannie and Freddie may see losses as forbearance ends and borrowers must resume making payments. CUNA will continue to work with Congress on solutions that would eliminate the need for this fee while keeping the GSEs solvent.

On behalf of America's credit unions and their 120 million members, thank you for holding this important hearing.

Sincerely,



Jim Nussle
President & CEO