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October 5, 2020

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Re: 2021-2024 FHFA Strategic Plan Request for Input

Dear Director Calabria:

On behalf of America's credit unions and their more than 120 million members, we are pleased to provide this response to your request for input on the 2021-2024 Federal Housing Finance Agency (FHFA) Strategic Plan.¹

Background

Pursuant to the Federal Housing Enterprises Financial Safety and Soundness Act of 1992,² as amended by the Housing and Economic Recovery Act of 2008,³ FHFA is responsible for the prudential oversight of, *inter alia*, the Federal Home Loan Banks (FHLBanks) System, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac, and together with Fannie Mae, the GSEs). Pursuant to those statutory authorities, FHFA's mission is to ensure that its regulated entities operate in a safe and sound manner consistent with the mandates of their authorizing statutes. Although FHFA exercises its authority as a regulator and supervisor of the FHLBanks and GSEs, it has also served as conservator of the GSEs since 2008.⁴

In its Strategic Plan: Fiscal Years 2021-2024 (Strategic Plan), FHFA established the following 3 goals for its oversight:

1. Ensure safe and sound regulated entities through world-class supervision;
2. Foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets; and
3. Position the Agency as a model of operational excellence by strengthening the workforce and infrastructure.⁵

¹ See *FHFA Requests Input on Strategic Plan For Fiscal Years 2021-2024*, available at <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Requests-Input-on-Strategic-Plan-for-Fiscal-Years-2021-24.aspx>.

² Federal Housing Enterprises Financial Safety and Soundness Act, Public Law 102-550, 106 Stat. 3941 (1992).

³ Housing and Economic Recovery Act, Public Law 110-289, 122 Stat. 2654 (2008).

⁴ See History of Fannie Mae and Freddie Mac Conservatorship, available at <https://www.fhfa.gov/Conservatorship/Pages/History-of-Fannie-Mae--Freddie-Conservatorships.aspx>.

⁵ See FHFA Strategic Plan: Fiscal Years 2021-2024, p. 1, available at https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/FHFA_StrategicPlan_9222020.pdf.

The Strategic Plan also contains several objectives necessary to accomplish these goals, and documents some of the impediments that could prevent them from being reached.⁶

Comments

CUNA strongly supports the three strategic goals included in FHFA’s strategic plan. As member-owned, not-for-profit financial cooperatives, America’s credit unions are at the heart of the FHLBanks’ and GSEs’ statutory missions. The FHLBanks were chartered in 1932, with a mission “to provide reliable liquidity to member institutions to support housing finance and community investment.”⁷ In 1934, the Federal Credit Union Act was enacted so federally chartered credit unions could promote thrift among their members and meet the credit needs of low and moderate income borrowers who had difficulty getting financing from a traditional bank.⁸ Four years later, Fannie Mae was created to ensure a robust secondary market existed that would provide liquidity to primary mortgage lenders, even amidst the difficult economic circumstances of the Great Depression.⁹

Today, credit unions still derive significant benefits from being a part of the FHLBanks system and from the work of the GSEs. The FHLBanks provide their credit union members with funding and liquidity, allowing them to effectively provide affordable credit to their communities.¹⁰ Similarly, the GSEs purchased over 35% of the nearly \$180 billion in credit union originated first-lien mortgage loans in 2019.¹¹ Accordingly, credit unions have a substantial interest in the effective functioning of the FHFA-regulated entities so they meet their core missions to benefit low- and moderate-income borrowers and communities.

Strategic Goal #1: Ensure safe and sound regulated entities through world-class supervision

As reflected in our *Credit Union Principles for Housing Finance Reform*, CUNA believes that strong oversight and supervision is required to protect the safety and soundness of the FHFA regulated entities through all economic cycles.¹² The important public missions of the FHLBanks and GSEs cannot be carried out successfully unless FHFA ensures accountability and effective corporate governance, and creates an equal playing field for all market participants, including our nation’s credit unions.

Pursuant to the objective of world-class supervision, the strategic plan states that the regulated entities must “[s]trengthen relationships with other financial institutions regulators, financial standard-setters, and industry stakeholders to share best practices and leverage knowledge of emerging issues . . .”¹³ CUNA and its member credit unions and credit union service organizations stand ready and willing to strengthen relationships with FHFA and the regulated entities through more frequent consultations, information sharing, and engagements that will help all parties meet their mutually beneficial missions.

⁶ Id. at pp. 5-14.

⁷ See *FHLBanks’ Mission*, available at <https://fhlbanks.com/mission/>.

⁸ 12 U.S.C. § 1751 et al.

⁹ 12 U.S.C. § 1716 et al.

¹⁰ See CUNA Comment Letter on FHFA’s Request for Information on FHLBank Membership, June 23, 2020, available at <https://www.cuna.org/uploadedFiles/CUNA%20Letter%20to%20FHFA%20re%20FHLB%20Membership%20-%2006.23.2020.pdf>.

¹¹ Sources: National Credit Union Administration (NCUA) credit union call report data; CUNA analysis.

¹² See, *Credit Union Principles for Housing Finance Reform*, available at https://www.cuna.org/uploadedFiles/Advocacy/Related_items/CU%20Principles%20Housing.pdf.

¹³ See FHFA Strategic Plan: Fiscal Years 2021-2024, at Objective 1.2, #4, p. 6.

Regarding the objective of responsibly ending the conservatorships of the GSEs,¹⁴ CUNA reiterates its support for re-capitalizing the GSEs and ending the conservatorship, provided that FHFA responsibly balances the GSEs retained capital obligations with the flexibility needed to meet their mandates for the benefit of low- and moderate-income communities.¹⁵

Strategic Goal #2: Foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets

One of the most important credit union principles for reforming the housing finance system is ensuring that the secondary mortgage market is “open to lenders of all sizes on an equitable basis.”¹⁶ In his message preceding the Strategic Plan, Director Calabria states that FHFA has instructed the GSEs to “support strategies that foster a competitive secondary mortgage market in which the rules and regulations apply equally to all participants.”¹⁷ Furthermore, the Strategic Plan states that FHFA must “[e]nsure a fair playing field for large and small lenders when doing business with the regulated entities.”¹⁸ CUNA strongly supports this strategic objective and notes that removing volume discounts or similar barriers for smaller lenders is a critical prerequisite for ensuring that FHFA fosters a CLEAR national housing finance market.

As previously mentioned, CUNA also strongly agrees with FHFA’s objective of ensuring regulated entities fulfill their statutory missions to support affordable housing, community development, and diversity and inclusion.¹⁹ Making that objective equal to those related to ending the conservatorship will go a long way toward alleviating concerns that capitalization standards receive more attention from FHFA than the mission-oriented work of the regulated entities.

We also strongly support the objective of positioning FHFA as a leader in providing public information and analysis of the housing finance market. In particular, CUNA looks forward to working with FHFA and the regulated entities on data collection for research publications and housing finance forums so the critical work of our nation’s credit unions is included as an important part of industry analyses and discussions.

Strategic Goal #3: Position the Agency as a model of operational excellence by strengthening the workforce and infrastructure

Finally, CUNA is pleased to see the efforts FHFA is undertaking to help strengthen its workforce, particularly the recruitment of a high quality, diverse team. As CUNA President and CEO Jim Nussle has said, diversity, equity and inclusion (DEI) is in credit unions’ DNA.²⁰ Working together, credit unions, FHFA, and other housing finance market participants can create opportunities for professionals of diverse backgrounds, thereby strengthening our industry and the communities we serve as well.

¹⁴ Id. at Objective 1.3.

¹⁵ See, e.g., CUNA Comment Letter, Enterprise Regulatory Capital Framework, August 31, 2020, available at https://www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls_Letters_and_Testimonies/2020/Comment_Letters/CUNA%20Comment%20Letter%20GSE%20Recap%20Framework.pdf.

¹⁶ See, *Credit Union Principles for Housing Finance Reform*, available at https://www.cuna.org/uploadedFiles/Advocacy/Related_items/CU%20Principles%20Housing.pdf.

¹⁷ See FHFA Strategic Plan at p. 1.

¹⁸ Id. at Objective 2.1, #4 at p. 7.

¹⁹ Id. at Objective 2.2, at p. 8.

²⁰ See, e.g., *Nussle: Time for CUs to ‘lean into’ principles of DEI*, September 21, 2020, available at <https://news.cuna.org/articles/118436-nussle-time-for-cus-to-lean-into-principles-of-dei>.

Conclusion

We thank you for this opportunity to comment on FHFA's Strategic Plan for 2021-2024, and look forward to working with FHFA over the coming years to strengthen the enduring and indelible link between credit unions, the FHLBanks and the GSEs.

If you have questions or require additional information related to our feedback, please do not hesitate to contact me at (202) 235-3390 or dsmith@cuna.coop.

Sincerely,

A handwritten signature in cursive script that reads "Damon Y. Smith".

Damon Y. Smith
Senior Director of Advocacy & Counsel