Credit Union National Association
CUNA

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The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey,

On behalf of America's credit unions, I am writing regarding the hearing, "Home = Life: The State of Housing in America." CUNA represents America's credit unions and their more than 120 million members.

The housing market has been one of the few bright spots in the economy during the COVID-19 pandemic. Spurred by the historic lows in interest rates, credit unions have continued to provide a record-breaking number of mortgage loans. These numbers include loan refinances that are reducing members' monthly mortgage bills and purchase money mortgages as credit unions continue their mission of providing credit access to members who may not be able to receive financing from banks or other lenders. Credit unions are also continuing their role in financial education, informing members of significant mortgage relief available to those negatively impacted by the COVID-19 crisis.

However, we recognize that homeownership can be a financial goal that is out of grasp for many Americans, particularly low-income households and households of color. Credit unions remain committed to furthering financial inclusion for disproportionately underserved communities seeking to achieve the American Dream of homeownership. As not-for-profit, consumer-owned financial cooperatives, credit unions have a laser-focus on their mission of financial inclusion and serving their members.

During economic and financial crises, credit unions have stood out with their focus on mission, and they have continued lending to help members navigate through tough times while banks were more concerned with preserving capital. Credit unions advance financial inclusion and access by locating roughly 70% of credit union branches are in racially/ethnically diverse areas compared to roughly 60% of bank branches[1]. Congress can support credit unions' efforts to encourage homeownership in the following ways:

Expand Field of Membership

One of the most important things that Congress could do to promote financial inclusion and ensure that access to financial services is equitable would be to ensure that Federal law permits all Federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. If the policy goal is to ensure that all have access to affordable financial services, then the policy should not restrict a subset of member-owned, not-for-profit financial institutions from providing service to these communities. We hope the Committee will consider legislation that expands the opportunity to serve underserved communities to all Federal credit unions.

[1] NCUA, FDIC, and U.S. Census, University of Wisconsin, Applied Population Lab and CUNA analysis and calculations

Support Community Development Financial Institutions

Many credit unions are a Community Development Financial Institution (CDFI). CDFIs serve people and small businesses that are the first to feel the real-world effects of a missed paycheck or a cancelled order or contract. These small businesses and individuals were the first Americans in this current COVID-19 crisis to need access to emergency credit and other assistance available from their credit unions and other small community financial institutions. Credit union CDFIs were and remain well positioned to help underserved areas recover from the COVID-19 pandemic and future crises and natural disasters.

The CDFI Fund and the Community Development Revolving Loan Fund (CDRLF) are important programs that facilitate credit unions' improving their members' financial well-being and advancing their communities. In FY 2021, Congress appropriated $270 million and $1.5 million, respectively, for these two important funds, and we continue to support these programs in future appropriations legislation.

Aiding Distressed Borrowers via Mortgage Forbearance

While we support initiatives to aid distressed mortgage borrowers, credit unions are concerned about the impact the large volume of mortgage forbearances will have on the liquidity of mortgage servicers. The longer mortgage servicers 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. Given the Federal Housing Finance Agency (FHFA) and Federal Housing Administration's (FHA) forbearance period extensions, financial institutions may need aid themselves in order to accommodate this large volume of mortgage forbearances. That said, Congress should consider creating 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 the pandemic.

Prevent Disruption to the Secondary Mortgage Market

Congress should engage its oversight role to ensure the FHFA's recapitalization plans for Fannie Mae and Freddie Mac are phased in on a schedule that prevents disruption of the secondary mortgage market, which credit unions have utilized at increasing rates in recent years. Furthermore, any amendments to existing housing finance reform plans should ensure that the secondary market remains open to lenders of all sizes on an equitable basis, without allowing Fannie Mae and Freddie Mac to provide discounts based on volume or otherwise charge higher fees to smaller lenders such as credit unions.

In closing, on behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views.

Sincerely,

Jim Nussle
President & CEO