Credit Union National Association
CUNA

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May 4, 2021

The Honorable Emanuel Cleaver
Chairman
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Steve Stivers
Ranking Member
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Cleaver and Ranking Member Stivers,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change." The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

The American housing sector exists in order ensure Americans have safe and affordable housing. As climate change leads to natural disasters of increased frequency and intensity, it is likely that Americans and the housing finance system will see increased damages and losses as a result. It is imperative that the housing finance system does not mitigate its risk of these losses in ways that will leave vulnerable Americans to fend for themselves. Improving the resiliency in our housing stock is the only method of managing climate risk in our housing system long-term that will not ultimately harm less wealthy and non-white Americans. Counties that are hit by severe disasters experience greater out-migration, lower home prices, and higher poverty rates.[1] The effects of natural disasters are not felt equally: Black, low-income, and moderate-income Americans are more likely to be forced to migrate from their home, less able to access protective strategies, and less likely to benefit from Federal aid than those who are wealthy or white.[2] The best way to manage climate change and natural disaster risk is to mitigate it by improving resiliency in the housing stock of the United States.

Mitigating the Risk to Our Housing Stock

Mitigating the risk of climate change and its attendant natural disasters must be accomplished through a package of mutually reinforcing policies executed by the Federal Housing Finance Agency (FHFA), the regulated entities, the Department of Housing and Urban Development (HUD), the Environmental Protection Agency (EPA), the Federal Emergency Management Administration (FEMA), and the entire housing sector to improve the resiliency of our housing stock for all Americans. For the housing finance sector, mitigation strategies for the reduction of risk includes encouraging compliance with up-to-date building codes, financing the retrofitting and improved resiliency of existing housing stock, and ensuring that those financial institutions who are able and willing to assist Americans most at risk have access to lending liquidity and support. This is the only sustainable way to manage this risk that does not ultimately abandon low- and moderate-income Americans. These combined mitigation efforts, supported by interlocking policies, would improve the resilience of housing against increasingly intense and frequent natural disasters and reduce losses to the regulated entities.

[1] Leah Platt Boustan et al, National Bureau of Economic Research (NBER) Working Paper Series, *The Effect of Natural Disasters on Economic Activity in US Counties: A Century of Data*, Working Paper 23410, p. 22 (May 2017), available at https://www.nber.org/system/files/working_papers/w23410/w23410.pdf.

[2] *Id.* at 19. *See also* Rebecca Hersher and Robert Benincase, *How Federal Disaster Money Favors the Rich*, "All Things Considered," NPR (March 5, 2019), available at https://www.npr.org/2019/03/05/688786177/how-federal-disaster-money-favors-the-rich.

The PACE Program and Other Initiatives

The FHFA's current policy against the purchase of mortgage loans with liens established by the PACE Program is understandable and CUNA shares the FHFA's concerns. The current impasse regarding the super-priority of PACE liens must be resolved so that resiliency can improve. Congress should urge the FHFA to work with the Consumer Financial Protection Bureau (CFPB) to quickly promulgate a PACE financing rule that subjects PACE programs to the Truth in Lending Act (TILA) requirements.[3] Congress should incentivize the FHFA to work with the financial services industry and consumer advocates to educate state and local lawmakers on the consumer protection issues and negative incentives that super-liens create in the housing finance system. These efforts must be undertaken holistically across the entire housing finance system to ensure success.

CUNA applauds programs by Fannie Mae and Freddie Mac offering preferential pricing on green multifamily projects. Without these kinds of incentives, only those who can afford to improve the resiliency of their home will retain both their housing and the wealth built by homeownership. Similar programs should be designed not only for sustainable multifamily housing but also for resiliency retrofitting projects. As only a fraction of our existing housing stock meets up-to-date building codes, retrofitting projects are necessary to ensure safe, habitable housing for the American people.

Conclusion

Climate risks threaten the habitability and availability of cost-effective housing. Housing cost and affordability must be a primary concern in responding to the risks climate change poses to the housing sector.

Congress and the whole of the housing financing system must ensure that minority borrowers and low- and moderate-income borrowers do not experience increased insurance premiums, rising housing costs, and devasted property values. The risk must be mitigated throughout the entire housing sector by leveraging financial tools to improve our housing stock, not simply to avoid holding the bag. Americans of all income levels deserve opportunities to secure safe, resilient, and affordable housing. Credit unions stand ready to help their members achieve the goal of sustainable and resilient housing.

On behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views and look forward to partnering with Congress on sustainability and climate change.

Sincerely,

Jim Nussle
President & CEO

[3] *See* Letter from CUNA Deputy Chief Advocacy Officer & Senior Counsel Elizabeth A. Eurgubian to Director Mark Calabria (March 16, 2020), available at https://www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls,_Letters_and_Testimonies/2020/Comment_Letters/CUNA%20Letter%20to%20FHFA%20RE%20PACE%20RFI%20Notice%20No.%202020-N-1.pdf.