

# Credit Union Principles for Housing Finance Reform

Credit unions support housing finance reform proposals that are consistent with the following principles, and have been subject to full and fair consideration with respect to potential impact on all market participants:



## Neutral Third Party:

There must be a neutral third party in the secondary market, with its sole role as a conduit to the secondary market. This entity would necessarily be independent of any firm that has any other role or business relationship in the mortgage origination and securitization process.



## Equal Access:

The secondary market must be open to lenders of all sizes on an equitable basis. Credit unions understand that the users of a secondary market will be required to pay for the use of such market through, for example, fees, appropriate risk premiums and other means. However, guarantee fees or other fees/premiums should not have any relationship to lender volume.



## Strong Oversight and Supervision:

The entities providing secondary market services must be subject to appropriate regulatory and supervisory oversight to ensure safety and soundness. By ensuring accountability, effective corporate governance and preventing future fraud; they should also be subjected to strong capital requirements and have flexibility to operate well and develop new programs in response to marketplace demands.



## Durability:

The new system must ensure mortgage loans will continue to be made to qualified borrowers even in troubled economic times. Without the backstop of an explicit federally insured or guaranteed component of the revised system, credit unions are concerned that private capital could quickly dry up during difficult economic times, effectively halting mortgage lending altogether.



## Mortgage Servicing:

Credit unions should continue to be afforded the opportunity to provide mortgage servicing services to their members in a cost-effective and member service-oriented manner. This is done in order to ensure a completely integrated mortgage experience for credit union members/borrowers.



## Predictable and Affordable Payments:

The new system must include consumer access to products that provide for predictable, affordable mortgage payments to qualified borrowers. Traditionally this has been provided through fixed-rate mortgages (such as the 30-year fixed rate mortgage), and it is important that qualified borrowers continue to have access to products that provide for predictable and affordable mortgage payments.



## Loan Limits:

The new housing finance system should apply a reasonable conforming loan limit. That should adequately take into consideration local real estate costs in higher cost areas.



## Financial Education:

The new housing finance system should emphasize consumer education and counseling. This is as a means to ensure that borrowers receive appropriate mortgage loans.



## Reasonable and Orderly Transition:

The transition from the current system to any new housing finance system must be reasonable and orderly.