National Association
of Federal Credit Unions
3138 10th Street North
Arlington, VA 22201-2149
NAFCU | Your Direct Connection to Education, Advocacy & Advancement

July 27, 2015

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street, SW., Eighth Floor,
Washington, DC 20024.

Re: Conforming Loan Limits – Input/Notice No. 2015-N-03

Dear Mr. Pollard:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the proposed changes to the Federal Housing Finance Agency's (FHFA) calculation to the Housing Price Index. NAFCU appreciates FHFA's efforts to diligently monitor the overall trends in the national housing markets to determine the most effective economic policies to strengthen the U.S. housing sector. NAFCU and our members support the FHFA's proposed changes to how it will assess the national average single-family house price for use in setting the conforming loan limits of Fannie Mae and Freddie Mac (the Enterprises) and we appreciate the opportunity to provide comments to the agency.

Under the *Housing and Economic Recovery Act of 2008* (HERA), the FHFA is required to "establish and maintain" a house price index for adjusting the conforming loan limits of the Enterprises. The FHFA has the statutory authority to annually review and adjust the conforming loan limits while taking into consideration various economic measures of home prices. Under this authority, the FHFA is requesting input on using a slightly altered index to calculate the annual conforming loan limit. Currently, in 2015 the conforming loan limit is set at $417,000 for one-unit properties throughout most of the nation. The FHFA intends to use the "expanded-data" house price index (HPI)—an index the agency publishes quarterly—to adjust the conforming loan limits for the Enterprises in the future.

While the agency considers implementing this minor economic adjustment to the HPI, NAFCU urges the FHFA to not decrease the conforming loan limit below the current baseline rate of $417,000. NAFCU believes the current 2015 limits should be kept in effect in order to avoid a disruption to the national housing market that is still recovering. NAFCU's economic research team has concluded that while home sales are widely expected to improve in 2015 as the labor market improves, the exit of many investors from the market and the lack of first-time homebuyers represent two issues of concern for the coming year. Sudden or drastic changes to the conforming loan limit rate for the Enterprises could hamper this recovery.

NAFCU and our members also urge the FHFA carefully consider the impact that the use of the "expanded-data" HPI may have on "high-cost" loan areas where the local median home value is above the baseline loan limit. The FHFA indicates that this change will adjust the baseline loan limit that applies in most of the country, not including areas where median home values are higher or are otherwise designated as "high-cost" areas. While the proposal changes only the calculation of the baseline loan limit, this would impact the conforming loan limits in "high-cost" areas since the local loan limits are based on a percentage above the baseline limit. As the housing recovery impacts different regions of the country at varying rates, NAFCU believes that it is vital to protect housing market in the statutorily defined "high-cost" areas around the country. In considering this proposal, the FHFA must ensure that credit unions are able to provide mortgages to members in communities where home prices are above the national average by protecting the credit union's access to the secondary mortgage market with reasonable conforming loan limits in effect.

NAFCU believes preserving market stability with the Enterprises is essential to a healthy secondary mortgage market for credit unions. Our nation's credit unions need safe, affordable and fair access to the secondary mortgage market in order to effectively meet the lending needs of their 100 million members in communities across the country. Although the housing market continues to heal as a result of current job growth, wage gains and low interest rates, NAFCU and our members caution the FHFA to remain cognizant that the U.S. housing market is still vulnerable to any drastic market changes. NAFCU hopes that FHFA will to continue to closely monitor economic indicators in the housing markets prior to enacting any additional changes to conforming loan limits for the Enterprises.

NAFCU appreciates the opportunity to share our thoughts on the proposed changes to the calculation of FHFA's Home Price Index. Should you have any questions or would like to discuss these issues further, please feel free to contact me at ksubramanian@nafcu.org or (703) 842-2212.

Sincerely,

K. Subramanian

Kavitha Subramanian
Regulatory Affairs Counsel