

April 28, 2014

Dear Chairman Johnson and Ranking Member Crapo,

The undersigned trade associations, representing the interests of thousands of banks, credit unions, servicers, investors, and other financial services providers of all shapes and sizes, are encouraged by the progress that has been made to date in crafting legislation to reform the \$11 trillion housing finance system. While additional work remains, we appreciate the thoughtfulness of the Johnson-Crapo Discussion Draft and we are supportive of working with Committee Members and staff as the markup moves forward.

Specifically, we would highlight the importance of regulatory oversight that promotes a sound and vibrant market in which all market participants can compete to best serve current and future homeowners. While many aspects of the Federal Mortgage Insurance Corporation (FMIC) are appropriate and necessary, there are serious concerns that the proposal, as currently drafted, would effectively create yet another prudential regulator with sweeping authority over the primary and secondary mortgage markets resulting in unnecessary complications for financial institutions, consumers and the broader mortgage market. Significantly, the overly broad, conflicting and duplicative authorities conveyed to the FMIC in the current Discussion Draft should be carefully considered and refined as they are layered on top of already significant and robust oversight, particularly for insured depository institutions heavily regulated by the prudential bank and credit union regulators as well as the Consumer Financial Protection Bureau. Ultimately, failure to address complexity, overlap and uncertainty could seriously curtail market participation, lending and investing, directly impacting the availability and cost of credit for millions of Americans.

Accordingly, we believe the Discussion Draft needs to provide greater definition to the new regulatory body about the distinctive regulatory approaches required for aggregators and guarantors. Further, as the Discussion Draft lacks the much needed mandates for the FMIC to coordinate with the other regulators, we strongly support including provisions to provide clear authority around existing regulation, and to require coordination and eliminate duplicative reporting requirements, instructions or examination programs.

As a way to address these concerns, we strongly support the bipartisan amendment introduced by Senator Jerry Moran (R-KS) and Senator Joe Manchin (D-WV) to improve the FMIC governance structure. One primary goal for the reform effort should be to build a framework that attracts private capital. The adoption of the Moran-Manchin amendment would help facilitate that key goal by providing clarity and reducing uncertainty in the Discussion Draft. We urge the Committee to adopt this commonsense amendment.

Signed,

American Bankers Association  
Credit Union National Association  
Independent Community Bankers of America  
Securities Industry and Financial Markets Association

Cc: Members of the Senate Committee on Banking, Housing, and Urban Development