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DEFENSE CREDIT UNION COUNCIL

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Federal Housing Finance Agency
Attention: Comments/RIN 2590-AB23
400 Seventh Street SW
Washington, DC 20219

*Delivered electronically via:* https://www.regulations.gov

RE: Suspended Counterparty Program [(RIN) 2590-AB23]

To Whom It May Concern:

On behalf of the Defense Credit Union Council (DCUC),[1] thank you for the opportunity to comment on the Federal Housing Finance Agency's (FHFA) proposal to amend its Suspended Counterparty Program (SCP) regulation by removing the term "reputational harm." DCUC represents credit unions that serve active-duty military, veterans, and their families worldwide.

DCUC supports the FHFA's amendment. This change would eliminate regulatory redundancy and affirm that FHFA's supervision of counterparty risk is based on measurable risks.

Under the existing SCP regulation, the FHFA may issue a proposed or final suspension order if a respondent meets a two-prong test. First, the respondent must engage in covered misconduct. Second, the covered misconduct must be likely to cause significant financial or reputational harm to a regulated entity or threaten the safe and sound operation of a regulated entity.[2] DCUC agrees with the FHFA that including "reputational harm" in the second prong is unnecessary, as this is inherently covered in the regulation's definition of "covered misconduct." We also agree that eliminating the "reputational harm" element of the second prong would not cause counterparties that committed covered misconduct to avoid suspension because they would still meet the financial harm or safety and soundness risk prong.

Furthermore, "reputational harm" is subjective and cannot be precisely measured as financial harm and safety and soundness can be. This subjectivity allows for inconsistent application in the examination and enforcement process. Removing this provision improves the regulation's clarity and transparency and aligns the FHFA with other financial regulators, such as credit unions' primary regulator, the National Credit Union Administration, which issued a notice of proposed

[1] The Defense Credit Union Council represents more than 200 defense-affiliated credit unions and over 40 million members—including active-duty servicemembers, Guard and Reserve personnel, veterans, Department of Defense civilians, and military families.

[1] *See* 12 CFR § 1227.5(b).

rulemaking to codify the elimination of "reputation risk" from its supervisory program.[3] DCUC also agrees that this regulatory amendment should apply to all FHFA regulated entities.

For these reasons, DCUC respectfully urges the FHFA to finalize the proposed amendments as drafted. DCUC remains available as a resource on issues affecting credit unions and the members and communities they serve. Please contact me at Jason.Stverak@dcuc.org with any questions about DCUC's comments.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

[3] *See* 90 Fed. Reg. 48409 (Oct. 21, 2025).