MORTGAGE BANKERS ASSOCIATION

August 14, 2020

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

David Brickman
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102

Hugh Frater
Chief Executive Officer
Fannie Mae
1100 15th Street, NW
Washington, DC 20005

Re: MBA Letter to FHFA and GSEs on Adverse Market Fee and Early Payment Forbearance Purchases

Director Calabria:

The Mortgage Bankers Association (MBA)[1] would like to express our tremendous concern regarding recent policy announcements by the Federal Finance Housing Agency (FHFA) and Fannie Mae and Freddie Mac (the Government Sponsored Enterprises, or "GSEs"). The imposition of a 50 basis point adverse market refinance fee, and the planned withdrawal of policy allowing the GSEs to purchase loans that enter forbearance prior to delivery, are steps that are clearly contrary to current efforts to stabilize the housing market and provide support to American homeowners during the current public health crisis. We respectfully request that FHFA work with the GSEs to roll back these actions.

The newly imposed adverse market refinance fee that will increase borrowing costs for families seeking to lower their monthly mortgage payments is the wrong policy at the wrong time for

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,30 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

the U.S. housing market. The housing market has been one of the few bright spots in an economy struggling to shake off the effects of the COVID-19 pandemic. Requiring the GSEs to charge a 0.5% fee on all refinance mortgages they purchase will raise interest rates on families trying to make ends meet in these challenging times. By helping homeowners lower their monthly debt service, this refinance activity is also lowering risk to the GSEs and the taxpayers that stand behind them. In addition, cash-out refinancing is providing critical economic stimulus, allowing borrowers to support their small businesses, improve their homes or pay off higher rate second liens. In the midst of a pandemic-induced economic slide, FHFA should be encouraging this support, not undermining it.

Furthermore, making the change effective with deliveries of September 1 disrupts the economics of good faith market transactions of thousands of loans already priced and in the pipeline. Imposing such a fee should be accompanied by a clear explanation of the adverse market conditions requiring it, and an effective date that protects existing marketplace commitments. Neither one has been provided by the FHFA or the GSEs. As conservator, FHFA has the authority to withdraw this fee and reconsider how it has been introduced to the marketplace, and whether there are more effective approaches to mitigate any anticipated economic risks.

MBA also asks that FHFA reconsider plans to end a policy that allows the GSEs to purchase loans when borrowers experience COVID-related financial hardships shortly after closing. The current policy permitting the GSEs to buy these loans has provided stability to the market and ensured that lenders could comply with the spirit of the CARES Act by providing forbearance to borrowers prior to their loans being sold to Fannie Mae or Freddie Mac. The current policy expires on August 31, 2020 and, according to a recent FAQ, there are no plans to extend it past this date. MBA believes a failure to extend this policy could have significant adverse consequences and result in further credit restrictions and defensive pricing increases, as lenders cannot predict which borrowers will request forbearance after closing. Withdrawing this policy is ill-timed and will ultimately impact borrowers who are entitled to relief provided by the CARES Act, and the GSEs are well compensated for the perceived additional risk via significant (7 or 5 points) pricing increases.

These recent policy announcements contradict the Administration’s recent executive actions urging federal agencies to take all measures within their authorities to support homeowners struggling to make ends meet during the COVID pandemic. We and the other 19 organizations that joined us in the attached statement respectfully ask that you rescind these actions immediately.

Sincerely,

Robert D. Broeksmit, CMB
President and Chief Executive Officer
Mortgage Bankers Association

CC: The Honorable Steven Mnuchin, Secretary, U.S. Department of the Treasury

Larry Kudlow, Director, National Economic Council, The White House

The Honorable Mike Crapo, Chairman, Senate Banking, Housing and Urban Affairs Committee

The Honorable Sherrod Brown, Ranking Member, Senate Banking, Housing and Urban Affairs Committee

The Honorable Maxine Waters, Chairwoman, House Financial Services Committee

The Honorable Patrick McHenry, Ranking Member, House Financial Services Committee