

Congress of the United States
Washington, DC 20515

August 21, 2020

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

Dear Director Calabria:

We write you today to share our concerns with the recent announcements by Fannie Mae and Freddie Mac that they will begin charging a 50-basis point, or 0.5%, loan level price adjustment (LLPA) on most refinance loans they purchase beginning on September 1. In addition to raising costs on our constituents without sufficient justification, we have concerns with how this fee increase may interfere with the broader economy's recovery from today's crisis and ask that you prioritize homeowners and economic recovery.

As the COVID-19 pandemic has wreaked havoc on American families' incomes, livelihoods, and the economy at large, many families have taken advantage of historically low interest rates to refinance to tap into the equity of their home, lower their monthly payments, or both. This option has provided hundreds of thousands of homeowners with extra money in uncertain times, as well as saving them money in the long run. Adding a fee to refinancing, and making it effective in weeks, places additional costs and uncertainty on both the refinance market and on borrowers who choose to refinance their mortgage.

In announcing this new "Adverse Market Refinance Fee," Fannie Mae and Freddie Mac (commonly referred to as government-sponsored enterprises, or the GSEs) cite market and economic uncertainty, along with higher risk and costs. However, when this policy was announced, no further explanation was provided to justify the additional cost to homeowners. On the contrary, homeowners saving hundreds of dollars per month on their mortgages are reducing their debt-to-income ratio, which reduces risk to investors. Furthermore, lenders report reverifying employment within 24 hours of closing, further reducing credit risk.

Housing has historically led the U.S. economy out of recession because it is so sensitive to interest rates. Rate cuts by the Federal Reserve help Americans afford new homes, and those new home purchases create jobs. An exception to this pattern is the painfully slow recovery from the

recession that followed the 2008 financial crisis. In 2010, despite rate cuts and even purchases of mortgage-backed securities by the Federal Reserve, the economy and housing market remained weaker for an extended period of time, in part due to increased housing fees.

Fannie Mae, Freddie Mac, and Federal Housing Finance Agency (FHFA) have taken crucial steps throughout this pandemic to protect homeowners and our economy. That is why we were surprised by this announcement that will make refinancing a mortgage more difficult and more expensive for even the most creditworthy homeowners. The best thing we can do for the fiscal position of the United States is to allow the economy to recover as quickly and robustly as possible. To that end, we request that FHFA and the GSEs reconsider this fee as our country recovers from COVID-19. We look forward to continuing to work with you to support the housing market and homeowners across our country.

Sincerely,



Denny Heck
Member of Congress



Lee Zeldin
Member of Congress



Charlie Crist
Member of Congress

Vicente Gonzalez
Member of Congress

Gregory W. Meeks
Member of Congress

Ann Wagner
Member of Congress

Barry Loudermilk
Member of Congress

Joyce Beatty
Member of Congress

Carolyn B. Maloney
Member of Congress

Brad Sherman
Member of Congress

Madeleine Dean
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French Hill
Member of Congress

Sean Casten
Member of Congress

Bill Foster
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David Scott
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Ed Perlmutter
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Ben McAdams
Member of Congress

Cindy Axne
Member of Congress

Ted Budd
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Bryan Steil
Member of Congress

Van Taylor
Member of Congress

Josh Gottheimer
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Andy Barr
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Anthony Gonzalez
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Jennifer Wexton
Member of Congress

Nydia M. Velázquez
Member of Congress

Norma Torres
Member of Congress

Sylvia R. Garcia
Member of Congress

Tom Emmer
Member of Congress

Jaime Herrera Beutler
Member of Congress

Suzan DelBene
Member of Congress

Adam Smith
Member of Congress

Kim Schrier, M.D.
Member of Congress

Derek Kilmer
Member of Congress

James P. McGovern
Member of Congress

Donna E. Shalala
Member of Congress

Scott Peters
Member of Congress

Chrissy Houlahan
Member of Congress

Harley Rouda
Member of Congress

Brian Fitzpatrick
Member of Congress

Kathleen M. Rice
Member of Congress

John Rose
Member of Congress

CC:

Hugh R. Frater
Chief Executive Officer
Fannie Mae

David Brickman
Chief Executive Officer
Freddie Mac