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January 31, 2017

Melvin L. Watt
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

Re: Reducing Fees For Responsible Borrowers

Dear Director Watt:

On behalf of the National Association of REALTORS®, I am writing to follow up on our earlier request for a reduction in fees charged by Fannie Mae and Freddie Mac (the government- sponsored enterprises, or "GSEs"). The current inventory of affordable homes is incredibly tight, with many moderate-income and first-time homebuyers unable to purchase in today's market and housing supply at its lowest level since 1999. Further, average Americans continue to be priced out of loan products offered by Fannie Mae and Freddie Mac, leaving them with only one affordable choice, a loan from the Federal Housing Administration (FHA). FHA loans are an important option, but in a healthy market they should not be the primary source of safe, affordable mortgage financing.

A recent filing[1] from a Wall Street firm notes that Fannie Mae will obtain a billion dollars' worth of loans to finance its purchase of single family homes in California, Florida, North Carolina and other areas across the country that will be rented out in markets with limited supply. Rather than focusing on allowing well-qualified Americans to build wealth through affordable mortgages options, Fannie Mae is actively financing large institutions to compete with them. These investors do not expand the affordable housing stock. Rather, in this limited market they drive up the price of rents and remove affordable inventory from the hands of American homeowners. The longstanding mission of the FHFA and the GSEs, established by Congress, should be to promote a liquid and efficient national housing market while maintaining the safety and standards of loans guaranteed by the GSEs. This means providing qualified American consumers with an affordable alternative to FHA, not financing Wall Street landlords, providing preferential discounts on the purchase of underwater mortgages to investment banks, or selling homes in bulk to large investors.

Between 2009 and 2014, the GSEs raised their fees by 164%.[2] During this time, credit scores on GSE loans have remained near all-time highs, with average FICO scores near 740, and rules have taken effect that limit the risk the GSEs face in guaranteeing loans. High fees and high credit thresholds have effectively resulted in many qualified borrowers being priced out of the conforming loan market, thereby reducing private capital in the form of mortgage insurance from the marketplace.

[1] Invitation Homes (2017, January 23, 2017) *Form S-11/A*

[2] *This increase includes the 10 basis point increase mandated by Congress to fund the Temporary Payroll Tax Cut Continuation Act of 2011.*

Safety and soundness of the housing finance eco-system is necessary, and the industry does not want a return to easy lending standards. However, charging individual borrowers substantially higher fees than the actual risk they present, while at the same time subsidizing investors able to raise billions of dollars on their own, undermines the GSEs' public mission.

At a time of a historically low homeownership rate, our nation needs the GSEs to bolster homeownership opportunities for millions of responsible, middle class American families, not funding special interest deals with Wall Street financial firms that take away those opportunities.

Sincerely,

William E. Brown
2017 President, National Association of REALTORS®

cc: Sandra Thompson, Deputy Director, Division of Housing Mission and Goals