

March 18, 2015

The Honorable Michael Enzi
Chairman
Committee on the Budget
United States Senate
624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bernie Sanders
Ranking Member
Committee on the Budget
United States Senate
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Enzi and Ranking Member Sanders:

The undersigned organizations urge you to support the Crapo-Warner Amendment to the Budget Resolution to ensure that Congress cannot raise Fannie Mae and Freddie Mac guarantee fees to offset the costs associated with unrelated initiatives. The Senate adopted similar language during the 113th Congress with bipartisan support.

Fannie and Freddie charge these guarantee fees, or g-fees, to cover the credit risk they take when they package loans into mortgage-backed securities that carry a guarantee of timely payment for bond investors. While lenders are technically responsible for paying the g-fees when they deliver loans to the GSEs, the lenders then pass the costs along to borrowers. Consequently, whenever g-fees rise, mortgages become more expensive for families buying homes and for homeowners who refinance.

To protect the taxpayer most effectively, it is critical for Fannie and Freddie to charge g-fees that are high enough to cover their risk but not too high to harm the housing market. Currently, this balance is already tenuous, in part due to previous legislation that used the g-fee to pay for unrelated costs. Any additional mandates will damage their ability to manage this balance appropriately.

Additionally, making mortgages more expensive at a time when wages are stagnant and other costs of living are rising will constitute yet another obstacle to homeownership, one that falls particularly hard on communities of color, Millennials struggling with student debt, and other low-wealth families. Currently, homebuyers who cannot afford a 20 percent down payment or who have less than pristine credit scores already pay extra Fannie and Freddie g-fees (in some cases, 300 basis points more). Customers without a 20 percent down payment also have to pay for private mortgage insurance on top of the g-fees.

In short, g-fee increases that are not directly tied to the level of risk presented to Fannie and Freddie by the loans they purchase will make mortgages more expensive, fall particularly hard on lower-wealth families and communities of color, expose the taxpayer to potential losses, slow the already struggling housing market recovery, and prevent residential investment from helping to drive overall economic growth.

We urge the Budget Committee to pass the Crapo-Warner Amendment to the Budget Resolution.

Sincerely,

Americans for Financial Reform
Center for American Progress
Center for NYC Neighborhoods
Center for Responsible Lending
Consumer Federation of America
Empire Justice Center
The Greenlining Institute
The Leadership Conference on Civil and Human Rights
NAACP
National Community Reinvestment Coalition
National Consumer Law Center
National Council of La Raza
National Council of State Housing Agencies
National Fair Housing Alliance
National Housing Conference
National Housing Resource Center
National Housing Trust
Mark Willis, Furman Center for Real Estate and Urban Policy, New York University*

*affiliation listed for identification purposes only

Cc: The Honorable Mike Crapo
The Honorable Mark Warner