



November 13, 2019

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Ave. NW  
Washington DC 20020

The Honorable Mark Calabria  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC 20224

Dear Secretary Mnuchin and Director Calabria:

The Community Home Lenders Association (CHLA) writes to communicate our strong support for the proposal in the Treasury Department’s September “Housing Reform Plan” to amend the GSE Preferred Stock Purchase Agreements (PSPAs) to require small lender protections on the part of Fannie Mae and Freddie Mac after they exit conservatorship.

CHLA is writing as the only national association that exclusively represents independent mortgage bankers (IMBs). CHLA members are community-based small and mid-sized mortgage lenders that both sell loans to Fannie Mae and Freddie Mac through their cash window and securitize loans guaranteed by these two GSEs.

One of the major factors contributing to the financial difficulties and conservatorship of Fannie Mae and Freddie Mac in 2008 was their policy of preferred pricing for the largest mortgage loan originators. This generally took the form of volume discounts on Guarantee Fees (G Fees) for the largest GSE lenders, which contributed to Fannie Mae and Freddie Mac having insufficient reserves to absorb loan losses and to market domination by many of the nation’s riskiest mortgage lenders, such as Countrywide and WAMU.

After FHFA took Fannie and Freddie into conservatorship, there was a growing recognition that a policy of volume discounts and preferred pricing for the largest lenders harmed consumers and smaller lenders, and was detrimental to the financial health of the GSEs.

CHLA particularly wants to take this opportunity to express our strong appreciation to FHFA Director Calabria for his support of GSE pricing parity and his recent action to call out one of the GSEs for not following this important principle.

However, concerns have been raised about how such a policy can be made permanent post-conservatorship.

The September 2019 “Housing Reform Plan” released by the Department of Treasury provides a solution to this concern. The Plan recommends that the PSPAs should be amended to accomplish certain policies after recapitalization of Fannie Mae and Freddie Mac. This includes a recommendation for a provision to *“require each GSE to maintain a nationwide cash window and provide equitable secondary market access to all lenders.”*

**CHLA strongly supports this approach, which should include a prohibition against volume discounts and any proxies for such pricing discrimination, such as different buy-up/buy-down grids or disparate LLPA treatment, both with respect to the cash window and to securitization pricing.**

**As part of such action, CHLA also believes that such a uniform pricing policy should be applied to private mortgage insurance (PMI) in conjunction with Fannie Mae or Freddie Mac loans.**

Federal statute requires mortgage insurance on GSE loans over 80% loan-to-value (LTV). PMI pricing, whether lender-paid or borrower-paid, is an integral part of the underlying loan pricing that the consumer receives. Thus, the impact of MI (or risk sharing) volume discounts is the same as with GSE pricing. Consumers that choose to obtain a GSE mortgage through a local community-based smaller lender would be penalized. We would also have the same financial incentives for market domination and concentration by larger lenders that we witnessed in the run-up to the 2008 conservatorship.

Finally, CHLA would encourage establishment of an equitable treatment requirement with respect to lender loan volume or size regarding other Fannie Mae or Freddie Mac mortgage loan policies. We see no reason for Fannie Mae or Freddie Mac to provide preferential treatment for larger lenders with respect to the granting of DU/LP waivers, repurchase policies, and other types of policies. Smaller lenders should be able to compete under a level playing field, without policies that favor larger lenders just because they do more business with Fannie Mae or Freddie Mac.

We thank you for your consideration of these views.

Sincerely Yours,

COMMUNITY HOME LENDERS ASSOCIATION