



April 27, 2023

The Honorable Sandra Thompson  
Director, Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219

Dear Director Thompson,

The Community Home Lenders of America (CHLA)<sup>1</sup> writes to renew our concerns about the impact on both consumers and lenders of higher LLPA fees for Fannie Mae and Freddie Mac loans over 40% DTI.

Specifically, CHLA requests that the DTI LLPA pricing component be eliminated entirely - and further, if some form of revenue offset is necessary to accomplish this, CHLA would support an across-the-board LLPA increase, e.g. of 2 Basis Points.

CHLA appreciates that FHFA has made changes to pricing of Fannie Mae and Freddie Mac loans over the last few years with the objective of making it less expensive for first-time homebuyers and underserved and minority borrowers to obtain an Enterprise loan. CHLA also appreciates your responsiveness to feedback from consumer and industry participants and your openness to adjustments, including most recently the delay in the implementation of the DTI pricing component.

CHLA also appreciates the complexity of the pricing grid. FHFA has a responsibility to ensure that the Enterprises are operated in a financially safe and sound manner, and historically, risk-based pricing (in the form of LLPAs) has been a component of that imperative. At the same time, the Enterprises have statutory mission responsibilities to serve the market, including underserved borrowers, and your pricing changes over the last year have furthered that objective.

We believe that a replacement of the DTI pricing component is consistent with those statutory objectives and responsibilities. A *de minimis* across-the-board LLPA increase, if necessary, would have a very minor impact on both homeownership affordability and the ability to qualify for an Enterprise loan. At the same time, as we have previously communicated, the elimination of the DTI LLPA would have a very positive impact for a significant cohort of moderate-income homebuyers who are now subject to this fee.

Moreover, elimination of the DTI pricing component would (1) significantly simplify the underwriting process, (2) help borrowers by ending the confusion that can occur from a pricing change during the underwriting process if the DTI goes over 40%, and (3) eliminate unintended incentives for borrowers to take actions like paying down debt to reduce DTI or adding or subtracting borrowers on the loan to obtain better pricing.

We appreciate your consideration of this request and would be happy to make our members available for feedback on these issues.

Sincerely,

COMMUNITY HOME LENDERS OF AMERICA

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<sup>1</sup> CHLA is the only national trade association that exclusively represents independent mortgage bankers (IMBs). CHLA members are small and mid-sized, community-based IMBs, whose sole business is originating and servicing residential mortgage loans.