



The Honorable Scott Bessent
Secretary, Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable William Pulte
Director, Federal Housing Finance Agency
400 7th Street NW
Washington, DC 20024

October 20th, 2025

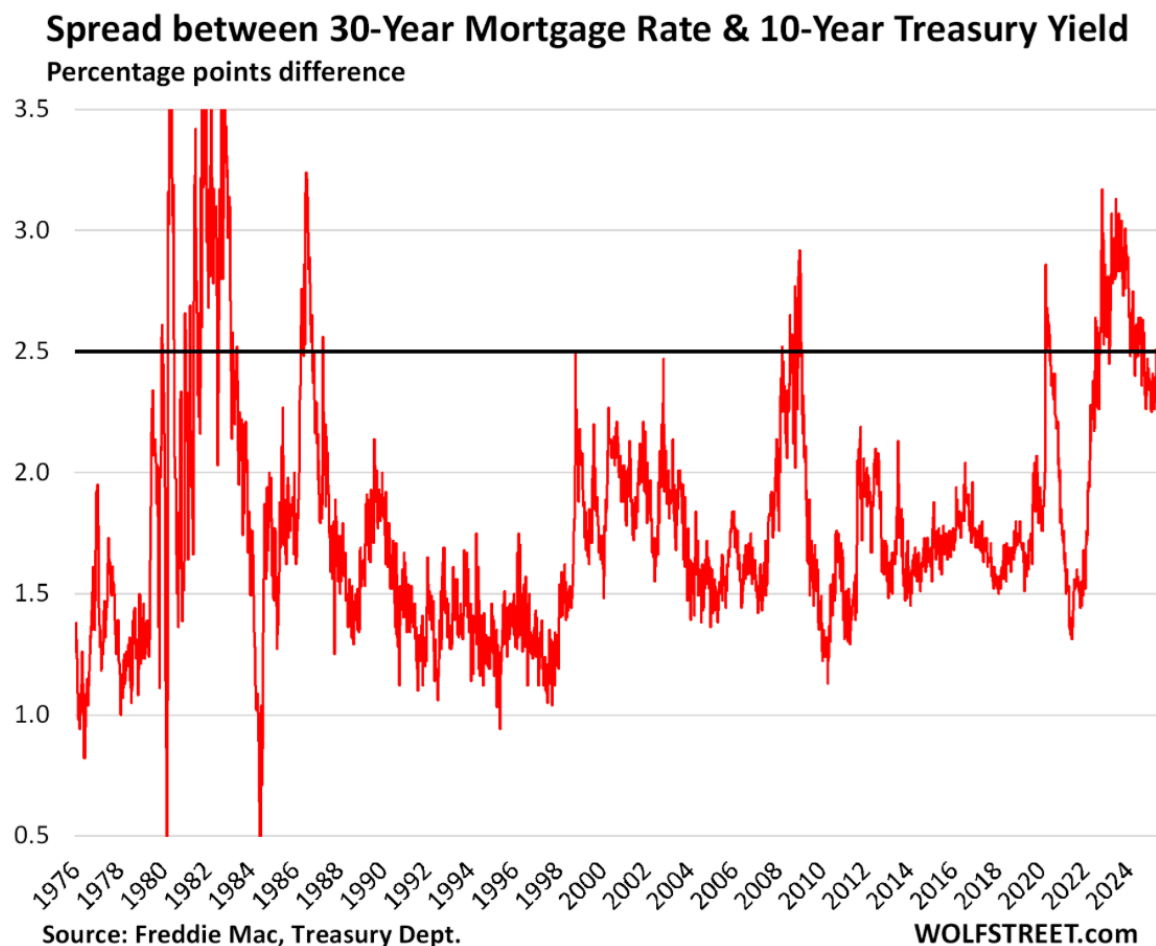
Dear Secretary Bessent and Director Pulte:

We write to propose a solution that will reduce the historically high long-term mortgage rates relative to long-term Treasury bonds. Housing accounts for nearly 20 percent of GDP and affects all homeowners, and renters, especially those in underserved and rural communities. Action is critical to address homeownership affordability and lending challenges and reduce impediments for servicers to loss mitigation efforts to keep defaulted borrowers in their home.

Specifically, we seek actions to reduce the historically-wide spread between 30-year mortgage rates and 10-year Treasuries (30/10 spread), which could reduce mortgage rates by 30 basis points or more. We believe the regulators must address the secular and structural decline in demand for mortgage-backed securities. We recommend the following actions that could help address this issue:

- (1) Amending the PSPA agreements to enable Fannie Mae and Freddie Mac the limited authority to purchase their own MBS and/or Ginnie Mae MBS at a higher ceiling than currently exists. *Our recommendation is that the GSEs each have the ability to purchase up to \$300B of MBS for when the 30/10 spread is above 170 basis points.*
- (2) In the meantime, according to 2nd quarter financial reports, the GSEs are a combined \$246B below their current MBS caps, and thus could begin immediately to reduce this spread.

The spread between the 30-year fixed rate mortgage and the 10-year Treasury is historically wide today; as of October 17th it was 222 basis points. As depicted in the graph below, the spread has been elevated over the normative spread of 140-170 basis points since 2022, when the Federal Reserve suspended its MBS purchases (that it had been undertaking as needed since 2008.) This extra cost has had a significant negative effect on the ability of a family to qualify for and purchase a home, particularly for 1st-time homebuyers. Additionally, according to National Association of REALTORS® data, this strain on affordability has also played a key role in the U.S. home market being on track for one of its worst years for sales in three decades, (unless activity picks up this fall). These developments limit economic growth and are harmful for housing and mortgage markets.



For some 40 years, the Federal Reserve and Fannie Mae and Freddie Mac have acted as buyers of last resort for MBS to stabilize mortgage rates at times and ways that are appropriate. Today—none of these three organizations provides this functionality. U.S. banks, foreign central banks, overseas banks, and insurance companies have recently moved away from buying MBS. Historically, the GSEs' portfolios have acted as “shock

absorbers” to disruptions in the MBS market. We believe this is an appropriate time for Fannie and Freddie, under your authority, and again for a limited amount of time, to step in and address this secular decline in demand for MBS.

In no way would this authority replicate the unlimited authority the GSEs exercised in the past regarding their retained portfolios. The Conservator today, and the Regulator in the future, would, with the assent of the Treasury Department ensure that this authority remained firmly in the hands of FHFA, subject to the conditions specified in detail by the FHFA.

Again, reasonable limits on the GSEs’ portfolios are appropriate and necessary. Our groups simply urge action to address the strain on liquidity in the market for MBS through the purchase and holding of 30-year fixed rate mortgages. Doing so will help ease the nationwide affordability and lending difficulties while addressing servicing and loss mitigation challenges.

We thank you for consideration of this letter, and we would be happy to discuss any of these issues at your convenience.

COMMUNITY HOME LENDERS OF AMERICA
INDEPENDENT COMMUNITY BANKERS OF AMERICA