November 5, 2025

Community Home Lenders of America (CHLA) Comments
U.S. Federal Housing Strategic Plan: Fiscal Years 2026 - 2030

The Community Home Lenders of America (CHLA)[1] is writing to provide comments on the U.S. Federal Housing (Federal Housing Finance Agency or FHFA) Strategic Plan for Fiscal Years 2026 -2030.

This letter is limited to comments on the Plan related to supervision of Fannie Mae and Freddie Mac (the "Enterprises"), since our members – all IMBs – are not eligible for FHLB advances. The Strategic Plan identifies general objectives for supervision of the Enterprises that combine safety and soundness, strengthening mortgage markets, compliance with mission-related statutory requirements such as Housing Goals and Duty to Serve, and sound management. CHLA supports all these commendable objectives.

The Administration has informally announced an intent to carry out a public stock offering of Fannie and Freddie in the near future, with the clear implication that a subsequent step would be the exit of Fannie and Freddie from conservatorship. This U.S. Federal Housing Strategic Plan covers the years 2026 through 2030. Therefore, there is a very real possibility that a conservatorship will take place during that period.

In September, 46 independent mortgage banks (IMBs) jointly sent a **Letter to Treasury Secretary Bessent and FHFA Director Pulte,** identifying five policy recommendations for a conservatorship exit. These recommendations identify important provisions to protect small mortgage lenders, maximize competition and consumer choice, and boost homeownership in a safe and sound manner. They are:

- **G Fee Parity and a Competitive Cash Window.**
- **No Wall Street Bank Charters for GSE Loans.**
- **Keep Fannie and Freddie Separate Under a Utility Model.**
- **GSEs Should Maintain Critical Mortgage Loan Products.**
- **The GSEs Should Purchase MBS to Lower Mortgage Rates.**

Following is a detailed narrative explaining why each of these recommendations is important.

Fannie/Freddie Actions Could Change Significantly After a Conservatorship Exit

Because Fannie Mae and Freddie Mac have been in conservatorship for 17 years, it is easy to be lulled into an assumption that things will not change much after a conservatorship exit. However, an end to FHFA conservatorship powers and an increased Enterprise focus on profitability will likely mean that:

1. **Fannie Mae's and Freddie Mac's first priority will be profitability – which could result in their raising mortgage fees, curtailing critical specialty mortgage products, or returning to volume discounts that harm small lenders, reduce competition, and limit consumer choice.**

2. **U.S. Federal Housing (FHFA) will no longer have conservatorship powers to constrain behaviors or dictate actions or policies for Fannie Mae and Freddie Mac.**

3. **Any pressure from Congress and affected market sectors for Fannie and Freddie to pursue certain policies and offer certain loan products will have a significantly diminished impact.**

[1] CHLA is the only national trade association focused exclusively on small and mid-sized independent mortgage banks (IMBs).

CHLA has long supported the Enterprises exiting conservatorship, in order to avoid the whipsaws of changing policies of each new Administration and to gain efficiencies of being run as a private corporation.

And, while the Enterprises would no longer be directly accountable to a conservator, we are hopeful that Fannie Mae and Freddie Mac will maintain their affordable housing mission. Notably, their statutory charter includes mission requirements to provide access to mortgage credit, facilitate a secondary mortgage market, and purchase mortgages for low- and moderate-income families with economic returns below other more profitable loans. Separately, there are also statutory Housing Goals and Duty to Serve requirements.

However, the potential changes identified above argue for appropriate guardrails on Enterprise actions.

It is for all these reasons that the IMB letter was sent, identifying the following five priorities to protect IMBs, to promote affordable homeownership, and to maximize mortgage competition and consumer choice.

G FEE PARITY AND A COMPETITIVE CASH WINDOW

The most obvious example of how more profit-driven behavior could change after conservatorship is what took place before conservatorship – discounts on pricing based on lender size or loan volume.

One of the most pernicious pre-2008 housing crisis Fannie/Freddie practices was preferential pricing for large, reckless lenders like Countrywide and WaMu. Why did they do that? First, it is easier to deal with a few large lenders than a broad range of lenders. Second, too often, we see policy makers in Washington and private firms operate under the false impression that "bigger is safer." Remarkably, a former CHLA member (a small to mid-sized IMB) reports that when they confronted the CEO of one of the Enterprises about this, he remarked that **"We just think Countrywide is a safer counterparty risk than you."**

A conservatorship exit could create incentives to return to practices which unfairly favor mega-lenders. That is why CHLA enthusiastically commended the first Trump Administration for adoption of a **PSPA Amendment** [see page 8 for language] that mandates G Fee Parity and a fully competitive cash window.

G Fee parity and a fully competitive cash window require that Fannie Mae and Freddie Mac purchase **all** qualified single family loans from **all** approved seller-servicers, at rates that are competitive with lender securitizations, with a lender option whether or not to retain servicing.

Thus, the PSPA G Fee Parity/Cash Window provisions should be retained and incorporated to the strongest degree possible in the legal framework used for any GSE conservatorship exit.

KEEP FANNIE AND FREDDIE SEPARATE UNDER A UTILITY MODEL

Some have advocated for merging Fannie Mae and Freddie Mac into a single entity. This would be a mistake. Maintaining Fannie and Freddie as two separate GSEs is vital to competition. Maintaining two separate GSEs is also vital to market financial accountability, through comparisons of the two GSEs.

Additionally, CHLA and many other groups strongly support creation of some sort of mechanism to have Fannie Mae and Freddie Mac operate under some type of utility model, with respect to G Fee pricing.

If Fannie and Freddie are private companies whose first duty is to their shareholders, it would arguably be rational to significantly raise prices to levels just below private sector alternatives – in order to maximize profits while maintaining market share. This would be very detrimental to homeownership affordability and harmful to consumers. And it is not clear that U.S. Federal Housing could do much about this.

Therefore, Fannie Mae and Freddie Mac should operate under some type of Utility Model, with U.S. Federal Housing authority to cap excessive or unwarranted G Fee price increases.

GSES SHOULD MAINTAIN CRITICAL MORTGAGE LOAN PRODUCTS

Stockholder earnings pressures after a GSE exit from conservatorship could create incentives for Fannie and Freddie to abandon critical lower volume mortgage loan products due to lower loan revenue potential, in favor of cookie cutter generic site-built mortgage homes that have high volume and high revenues.

One of the main reasons Congress created Duty to Serve was that Congress concluded there was a tendency for Fannie Mae and Freddie Mac to neglect product areas where there are opportunities for safe, profitable loans, but with lower loan volume and relatively more work in relation to volume and revenues.

That is largely why Congress created a Duty to Serve - for loans for manufactured homes, for affordable housing preservation loans, and for loans in rural areas.

The GSEs should maintain critical mission-based mortgage loan products - for condominiums, manufactured homes, investor loans, second-home loans, and homes in rural areas. This can be done through Duty to Serve or through enforcement of their Charter mission requirements.

NO WALL STREET BANK CHARTERS FOR GSE LOANS

During the last Congressional consideration of GSE reform, there was a push to permit GSE charters for large Wall Street Banks, like JP Morgan and B of A. If adopted, this would have resulted in mega-banks using a Federal financial backstop to provide exclusive or preferential pricing to only their customers.

Fortunately, this approach was abandoned when small lenders testified before the Senate Banking that this would harm small lenders, reduce competition, and limit consumer choice. Competition is more effective at the mortgage origination level than at the Enterprise level. Moreover, multiple guarantors creates incentives to offer risky products to gain market share (like no doc loans in the years before 2008).

Therefore, new GSE charters should not be allowed that give preferential treatment to a few mega-lenders. Nor should preferential treatment be given through mechanisms like up-front risk sharing or granting a few Wall Street banks access to "U.S. Fin-Tech".

THE GSEs SHOULD PURCHASE MBS TO LOWER MORTGAGE RATES

High mortgage rates are the top barrier to first-time homeownership. The President has called on the Fed to cut interest rates and Treasury Secretary Bessent has stressed the importance of mortgage affordability.

CHLA and ICBA recently sent a **Letter** to Treasury Secretary Bessent and U.S. Federal Housing Director Pulte requesting that Fannie and Freddie be allowed to purchase Mortgage Backed Securities (MBS) when the spread between 30 year mortgages and 10 year Treasuries exceeds the historical average spread of 170 basis points. The letter also asked for a modest increase in the Enterprises' portfolio cap.

Bringing down excessive mortgage rate levels is the single most impactful thing that could be done to improve homeownership affordability as young families face unprecedented affordability challenges.

Fannie/Freddie can help with temporary, opportunistic purchases of MBS to cut mortgage rates - when mortgage rates remain at historically high margins over 10-year Treasuries.

In closing, CHLA thanks you for consideration of these comments.

Sincerely,

COMMUNITY HOME LENDERS OF AMERICA