

MIKE CRAPO, IDAHO, CHAIRMAN
RICHARD C. SHELBY, ALABAMA
PATRICK J. TOOMEY, PENNSYLVANIA
TIM SCOTT, SOUTH CAROLINA
BEN SASSE, NEBRASKA
TOM COTTON, ARKANSAS
MIKE ROUNDS, SOUTH DAKOTA
DAVID PERDUE, GEORGIA
THOM TILLIS, NORTH CAROLINA
JOHN KENNEDY, LOUISIANA
MARTHA MCSALLY, ARIZONA
JERRY MORAN, KANSAS
KEVIN CRAMER, NORTH DAKOTA
SHERROD BROWN, OHIO
JACK REED, RHODE ISLAND
ROBERT MENENDEZ, NEW JERSEY
JON TESTER, MONTANA
MARK WARNER, VIRGINIA
ELIZABETH WARREN, MASSACHUSETTS
BRIAN SCHATZ, HAWAII
CHRIS VAN HOLLEN, MARYLAND
CATHERINE CORTEZ MASTO, NEVADA
DOUG JONES, ALABAMA
TINA SMITH, MINNESOTA
KYRSTEN SINEMA, ARIZONA
GREGG RICHARD, STAFF DIRECTOR
LAURA SWANSON, DEMOCRATIC STAFF DIRECTOR

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

August 14, 2020

The Honorable Mark A. Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

Dear Director Calabria,

Fannie Mae and Freddie Mac recently announced via lender letter the imposition of a 0.5% loan level price adjustment (LLPA) on most refinance loans purchased by the agencies on or after September 1, 2020.

As you know, the ability of homeowners to tap into the equity of their home and/or reduce their monthly expenditures through a mortgage refinance is a powerful form of economic stimulus that has already helped hundreds of thousands of Americans endure the unprecedented economic fallout created by the COVID-19 outbreak.

Many housing market stakeholders have highlighted the potential negative impact the announced pricing increase will have on consumers seeking to access this benefit by increasing the average cost of refinancing. Additionally, these stakeholders have highlighted that the relatively short period before the effective date could complicate the origination process for refinance applicants who have not yet locked in their interest rate, as well as impose multimillion dollar balance sheet hits to community lenders who have sizeable pipelines of closed loans that cannot be delivered to Fannie Mae or Freddie Mac prior to September 1st.

In order to help us better understand the basis of these policy changes, please provide the Committee with answers to the following questions:

- Why did Fannie Mae and Freddie Mac request a new adverse market refinance fee?
- How was the 50 basis point pricing determined to be appropriate?
- Why was it determined that the change should take effect for loans purchased on or after September 1st?
- What is FHFA's assessment of the impact the price increase will have in the marketplace, and for Fannie Mae and Freddie Mac in the next quarter?

- Would marketplace disruption be reduced or minimized if the new price regime took effect on a date later than September 1st, or if it applied instead to *applications taken on or after September 1st*?

Fannie Mae, Freddie Mac, and FHFA have taken many critical steps to stabilize the housing market during these challenging times, and I look forward to working alongside you in that effort in the months ahead.

Sincerely,



Mike Crapo
Chairman

cc: Hugh R. Frater
Chief Executive Officer
Fannie Mae

David Brickman
Chief Executive Officer
Freddie Mac