

Don't Raise the Cost of Homeownership

Congressional Action Needed

Ensure that qualified borrowers have access to safe and affordable mortgage financing and enact legislation that prohibits guarantee fees (G-fees) from being extended, increased and diverted for unrelated government spending.

Congressional Actions To Date

- No legislation has been introduced yet this year that would increase or use G-fees as a revenue source for non-housing projects.
- H.R. 4893, the “Risk Management and Homeownership Stability Act,” introduced by Reps. Sanford (R-SC), Sherman (D-CA) and Neugebauer (R-TX), amends the Congressional Budget and Impoundment Control Act of 1974 to prohibit the use of G-fees as offsets.
- Sens. Crapo (R-ID) and Warner (D-VA) have introduced companion legislation, S. 752. This legislation would establish a scorekeeping rule to ensure that increases in G-fees shall not be used to offset provisions that increase the deficit.
- On December 4, 2015, President Obama signed into law a transportation reauthorization bill, which removed a provision passed by the U.S. Senate to extend an increase in the average G-fee that was enacted in 2011.

What To Tell Your Representatives And Senators

- Senate: Cosponsor and support passage of S. 752, introduced by Sens. Crapo (R-ID) and Warner (D-VA).
- House: Cosponsor and support passage of H.R. 4893, the “Risk Management and Homeownership Stability Act,” introduced by Reps. Sanford (R-SC), Sherman (D-CA) and Neugebauer (R-TX).
- Any extension of the G-fee increase will maintain the higher cost of a mortgage credit and continue to cause homebuyers to reconsider or delay a potential home purchase or refinance.
- The market has stabilized, but sales volumes remain sluggish by historical standards, weighing on an important engine for the economy. A punitive fee that does not support the safety and soundness of the housing finance sector will likely hinder improvement.

Issue Background

- G-fees are charged by Fannie Mae and Freddie Mac to lenders for bundling, selling, and guaranteeing the payment of principal and interest on their Mortgage Backed Securities (MBS). These fees are passed on to consumers, typically in the form of higher mortgage rates.
- Most of the guarantee fee covers projected credit losses from borrower defaults over the life of the loans, administrative costs, and a return on capital.

Opposing Viewpoints

- Some lawmakers believe revenue, regardless of where it is generated from, is needed in order to keep the government fiscally sound and lower the budget deficit.
- Opponents believe Fannie Mae and Freddie Mac should not be involved in the mortgage market. Rather, they believe free market competition will provide better pricing and access to credit for consumers and businesses.