Protect Sustainable Homeownership

Congressional Action Needed

- Responsibly reform the secondary mortgage market to ensure that the qualified borrowers have access to safe, affordable mortgage financing.
- Ban the use of mortgage guarantee fees (g-fees) to offset the cost of legislation unrelated to housing.
- Ensure that loans used to pay for energy efficiency improvements are subject to consumer protection laws.

Congressional Actions To Date

- No significant housing finance reform legislation has been introduced in the 115th Congress.
- H.R. 916 (Sanford, R-SC; Sherman, D-CA), the **"Risk Management and Homeownership Stability Act,"** prohibits the use of g-fees as offsets for government spending.
- S. 838 (Cotton, R-AR) and H.R. 1958 (Royce, R-CA; Sherman, D-CA), both entitled the **"Protecting Americans from Credit Entanglements Act of 2017,"** extend consumer disclosures to Property Assessed Clean Energy (PACE) loans.

What To Tell Your Representatives And Senators

- **Responsibly Reform Our Nation's Secondary Mortgage Market**
  - Reform of our housing finance system is required, as the current conservatorship of Fannie Mae and Freddie Mac is unsustainable.
  - Do not dismantle these entities without identifying a viable replacement or omit an explicit federal guarantee. These components are critical to safeguard the 30-year, fixed-rate mortgage and ensure families are not shut out of homeownership.
- **Ban the Use of Guarantee Fees as a Congressional Piggybank**
  - Freddie Mac and Fannie Mae charge lenders g-fees to guarantee the payment of principal and interest on mortgage-backed securities (MBS).
  - G-fees are passed on to consumers in the form of higher interest rates.
  - In recent years, Congress has proposed increasing g-fees to pay for other governmental spending such as tax cuts or transportation spending.
  - It is wrong to tax a subset of middle-class Americans to cover unrelated federal spending.
  - Strongly oppose the use of g-fees for any use other than housing.
- **PACE (Property Assessed Clean Energy) Loans Should Not Hurt the Very Homeowners They Aim to Help**
  - Programs that allow homeowners to improve the energy efficiency of their homes and reduce their energy costs should be encouraged.
  - PACE loans provide funds for such improvements. However, consumers are unable to make prudent housing decisions due to the lack of proper consumer disclosures.
  - PACE loans and other energy efficiency lending programs should be subject to the same consumer disclosure laws that apply to mortgages.

Issue Background

Homeownership has always been a cornerstone of our nation and differentiates the U.S. from many countries around the world. Fiscal constraints have left lawmakers struggling to balance budgets and improve our economy. But there are critical programs that encourage homeownership—still the American dream. Failure to responsibly reform the secondary mortgage market, limit costs imposed on homeowners, ensure proper loan disclosures, and fund necessary system upgrades for federal housing programs hurts the very fabric and underpinnings of our society.

Opposing/Supporting Viewpoints

- **Critics believe** that 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.
- **Supporters will respond** that a purely private mortgage market may provide these benefits, but only for a select few.
- **Critics argue** that all sources of revenue are needed to lower the budget deficit.
- **Supporters respond** that diverting g-fee revenue undermines the safety and soundness of the U.S. housing market, and deficit reduction should not be done on the backs of middle-class homebuyers.
- **Critics argue** that problems with PACE loans are overstated and are outweighed by enhanced energy efficiency and lower utility bills.
- **Supporters respond** that there are homeowners with PACE loans who are in trouble because they were not given the full details of the terms of their PACE loans.

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