



March 7, 2012

The Honorable Harry Reid
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Reid:

The members of the Mortgage Bankers Association, the National Association of Home Builders and the National Association of REALTORS®, respectfully request that you withdraw the amendment to S. 1813, that utilizes Fannie Mae's and Freddie Mac's credit risk guarantee fees (g-fees) to provide funding for the purpose of restoring the Gulf States after the Deepwater Horizon oil spill.

Our members were deeply troubled by the use of a 10 basis-point increase over the 2011 average g-fee to fund a two-month extension of the payroll tax relief. That increase will impact homebuyers and consumers looking to refinance their mortgages for the next 10-years. Therefore, when Congress began negotiating the 10-month extension of the payroll tax relief and the potential use of g-fees to cover that expense reared its head, our members united once again to emphatically let Congress know that housing cannot, and must not, be used as the Nation's piggybank. And now, we are united again, to make that same statement regarding the use of these fees to restore the Gulf States.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans. Increasing g-fees for other purposes – even just extending the current fee increase by one year at a lower rate – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

The Nation's housing sector remains in a precarious state. Though we are seeing signs of improvement, we must avoid taking any steps that may retard that recovery and ultimately send our overall economy into another tailspin. The unintended impact of your proposed g-fee increase would be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned (REO) inventory, as well as curtailing refinance activity that is needed to keep responsible borrowers in their homes. Furthermore, implementing yet another guarantee fee increase that is unrelated to housing needs will act to hinder the necessary reforms required of the GSEs in the years ahead. We also object to using the guarantee fees charged by Ginnie Mae in this manner. We believe this will disproportionately impact the low and moderate income borrowers and first time homebuyers that FHA loans are targeted towards.

We understand the need to restore our Nation's Gulf Coast, and bring relief to the households and businesses in the area affected by the Deepwater Horizon tragedy. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden of remediation to homeowners and the housing sector in a manner that prevents Fannie Mae and Freddie Mac from effectively managing their risk..

Therefore, we respectfully request that you withdraw your amendment, the "Restore the Gulf Coast Act of 2011".

Thank you for your consideration of this very important matter.

Sincerely,

Mortgage Bankers Association

National Association of Home Builders

National Association of REALTORS®