

July 21, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

Dear Senators McConnell and Reid:

Our members respectfully request that you oppose utilizing Fannie Mae's and Freddie Mac's credit risk guarantee fees (g-fees) as a source of funding for the extension of transportation programs.

Our members were deeply troubled when, in 2011, g-fees were raised by 10 basis points for 10 years to fund a two-month extension of payroll tax relief. That increase has harmed homebuyers and consumers – and will continue to do so for the duration of the provision's 10-year lifespan. Since then, whenever Congress has considered using g-fees to cover the cost of programs unrelated to housing, our members have united to emphatically let Congress know that homeownership 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 pay for the highway bill.

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 for four years – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

The nation's housing sector remains in a precarious state. Though we are continuing to see 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 this proposed g-fee increase would be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned inventory, as well as curtailing refinance activity that is needed to keep responsible borrowers in their homes. Furthermore, implementing yet another g-fee increase 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 g-fees charged by Ginnie Mae in this manner. We believe this will disproportionately impact the low- and moderate-income borrowers and first-time homebuyers toward which FHA loans are targeted.

We understand the need to reauthorize highway programs. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden to homeowners and the housing sector in a manner that prevents Fannie Mae and Freddie Mac from effectively managing their risk.

Thank you for your consideration of this very important matter.

American Bankers Association

Housing Policy Council of the Financial Services Roundtable

Mortgage Bankers Association

National Association of Homebuilders

National Association of REALTORS®