NATIONAL ASSOCIATION OF REALTORS®

June 23, 2023

The Honorable Warren Davidson
Chairman
House Financial Services Subcommittee on Housing and Insurance
2113 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver, II
Ranking Member
House Financial Services Subcommittee on Housing and Insurance
2217 Rayburn House Office Building
Washington, DC 20515

RE: *H.R. 3564, Middle Class Borrower Protection Act of 2023.*

Dear Chairman Davidson and Ranking Member Cleaver:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR), we submit this letter in response to the *H.R. 3564, Middle Class Borrower Protection Act of 2023.* We appreciate Congress's attention to the Federal Housing Finance Agency's (FHFA) process for setting pricing and their recent changes to their loan-level pricing adjustments (LLPAs).

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

As borrowers face a challenging housing market, including a lack of housing stock, housing affordability, and interest rates hovering around six percent, it is imperative that we seek ways to make the American Dream of homeownership available to everyone.

Unfortunately, under the recent pricing changes from FHFA, many prime credit and middle-class borrowers saw an increase in their mortgage fees. Given the strong financial standing of Fannie Mae and Freddie Mac (collectively, the GSEs), we believe now is not the time to raise fees on any section of the market. We appreciate FHFA lowering the fees on some borrowers, especially in the underserved markets, but NAR believes in lowering fees on all borrowers during this tight market.

We appreciate Congress's interest in this matter, and I thank the House Financial Services Subcommittee on Housing and Insurance for providing me the opportunity to testify regarding the current market and the recent changes during last month's hearing entitled "The Current Mortgage Market: Undermining Housing Affordability with Politics." As I expressed during the hearing, borrowers being underwritten for a loan through the GSEs are qualified and financially-sound consumers. No changes were made to the required credit quality of a potential mortgagee, and FHFA has stated that the pricing changes were made in response to the Enterprise Regulatory Capital Framework rule at FHFA and its previous Director. The changes here were not made for cross-subsidization of weaker credit-quality borrowers.

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To this end, the industry and consumers raised serious concerns with both the timing and the strategy for implementing pricing changes. In addition to lowering the fees on some borrowers and raising them on others, FHFA also added a pricing grid tied to debt-to-income (DTI) ratios. After consideration, the FHFA decided to rescind the DTI addition as well as open a comment period for the other pricing changes. We believe this is an example of good governance, and we applaud the work of FHFA for listening to concerns from Congress, the industry, and potential buyers about these changes.

The GSEs currently operate as market utilities and thus, congress could aid GSE reform in directing the FHFA to develop a process for developing pricing under such a structure. Such a process would take into account private market information on required equity and capital returns as well as explore the impact of various structures of an implied or explicit federal guarantee.

Additionally, by raising the guarantee fees (g-fees) by 10 basis points to pay-for the pricing changes, borrowers across the credit spectrum will see a fee hike greater than what they would have faced through the LLPA changes that precipitated this bill. Raising g-fees at this time is counter-productive and will only make homeownership further out of reach for middle class borrowers, along with borrowers of all credit profiles.

We look forward to working with Congress, FHFA, and other stakeholders to promote safe and affordable homeownership for all. If you have any questions or comments, please feel free to reach out to Matt Emery, NAR's Senior Policy Representative for Financial Services, at MEmery@Nar.Realtor.

Sincerely,

Kenny Parcell
2023 President
National Association of REALTORS ®