

June 4, 2020

Today and in the future, Fannie Mae and Freddie Mac may be called upon to use profits from their business to invest in functions beyond their credit guarantee business. For example, under HERA, the Enterprises are required to charge 0.042 percent (4.2 basis points) per \$100 of principle on mortgages they finance. These funds are invested in the capital magnet fund (CMF) and housing trust fund (HTF).

NAR believes that the Enterprises should first and foremost fund their charter mission, which is focused on homeownership, and no investments should create a burden on the homebuyers the Enterprises support. Furthermore:

- The Enterprises should prioritize building capital to support their charter mission before any investments are considered.
- Fees charged by the Enterprises increase expenses for Borrowers. If said fees are considered pertinent to carry out the charter mission or designated by Congress, the fees should be re-evaluated on a periodic basis to determine the merit of their extension.
- Any fee placed on the GSEs or investments made by the GSEs outside of supporting their charter mission or their guarantee business should be focused on the direct and indirect needs of housing. This includes efforts to improve the housing stock (e.g., matched lending with developers, land banks, contributions to the HTF), community investments (e.g., contributions to the CMF, libraries, public spaces, infrastructure, etc.), or improved affordability for homebuyers.
- Any investments made by the Enterprises in housing stock, communities or affordability should be done in a way that improves rather than adversely distorts the equilibrium in the market. For instance, the Enterprises should not invest in expanding housing supply if the market is balanced or over supplied.
- Furthermore, investments should be done in a way that does not allow the enterprises to curry political favor. For instance, the GSEs may advance funds to the HTF, CMF, Federal Home Loan Banks' affordable housing programs, or other funds, but not direct investments.
- These principles should be applied to fees charged to the Enterprises or homebuyers they finance, windfalls from reform of the GSEs or any future windfalls, and investments in any nonprofit housing funds or government programs made by the Enterprises.

