

NAR Presses for Change on New Upfront Fees (LLPAs)

April 2023

In January of 2023, the Federal Housing Finance Agency (FHFA), which regulates Fannie Mae and Freddie Mac (the GSEs), [directed them](#) to change their loan level pricing adjustments (LLPAs)—upfront fees the GSEs charge individual borrowers based on their credit score, down payment, or other risk factors.

NAR'S POSITION

- REALTORS® welcome the reduced fees for entry-level borrowers, but the higher fees on middle-wealth borrowers should be eliminated.
- The fee increases exacerbate the 3-percentage point surge in rates over the last year, harming borrowers.
- The GSEs are extremely profitable and do not need to raise fees.
- Given their position as market utilities with a Congressional charter, there is no need to charge more.

RESOURCES

- [Letter to the FHFA](#)
- [Letter to Congress](#)
- [Washington Report](#)
- [REALTOR® Magazine Article](#)
- [Statement on January Announcement](#)

NAR Engagement on Previous LLPA Changes

- [Letter to Edward DeMarco FHFA Acting Director](#) (December 19, 2013)
- [Letter to the FHFA Director Melvin L. Watt](#) (January 26, 2018)
- [Letter to Mark Calabria, FHFA Director, on the capital rule, which drives the LLPAs](#) (August 31, 2020)

WHAT NAR HAS DONE

- NAR first raised concerns about the [fee increases](#) on January 19th.
- Since then, NAR has spoken and met with FHFA staff about this issue numerous times in an effort to raise concerns about the fee increases.
- NAR has also reached out to industry partners to raise awareness of the problem.
- NAR has spoken to leaders on both sides of the Senate Banking Committee as well as the White House on this issue.
- NAR sent a [letter to FHFA](#) reiterating its stance and urging the removal of the fee increases.
- LLPAs have been around since 2008 and have changed many times over the years, with NAR continuously advocating in the interest of homeownership along the way.

UNDERSTANDING THE ISSUE

The media reports have led to confusion about the facts. Here are some points of clarification:

1. Risky borrowers still pay more than low-risk borrowers, that hasn't changed.
2. There has been no change to underwriting or qualification of borrowers; if you didn't qualify before, you don't now, and all loans must comply with the Ability to Repay rule implemented after the financial crisis.
3. It is not clear that the fee increase on lower-risk borrowers pays for the fee reduction on higher-risk borrowers. At NAR's [Policy Forum](#) on April 19th, FHFA's Director Sandra Thompson indicated that, "there was no uniform targeting of a borrower with a higher LTV for a lower".
4. It's important to note this form of pricing structure, where one group helps pay for other groups, is already used at the GSEs in a process called cross-subsidize. cross-subsidize supports markets such as small towns, coastal areas that are prone to storms or flooding, and areas with higher-than-average unemployment to name a few. In short, the GSEs cross-subsidy supports clients for virtually all of NAR's members in some shape or form. The bulk of these funds come from what the GSEs charge on investor loans, though, not other homebuyers.

NEXT STEPS

- A RISMedia article has been written and will come out after May 1st.
- NAR is doing further outreach with leadership on the Hill to clarify fact from fiction and to share NAR's position.
- NAR is collaborating with industry partners and exploring letters from various groups.