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October 13, 2014

The Honorable Melvin L. Watt  
Federal Housing Finance Agency  
c/o Office of Strategic Initiatives  
400 7th Street SW  
Washington, DC 20024

Re: Proposed Single Security Structure

Dear Director Watt:

I am writing on behalf of the over one million members of the National Association of REALTORS® (NAR) to provide comments to the Federal Housing Finance Agency (FHFA) on its proposal to create a Single Security that could be guaranteed by either Fannie Mae or Freddie Mac (the government-sponsored enterprises or GSEs). NAR is America's largest trade association, including our eight affiliated Institutes, 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 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

REALTORS® believe that a full economic recovery will be out of reach until stability and confidence fully return to the residential real estate market. REALTORS® recognize that it is critical that the creation of a more efficient and effective housing finance structure also ensures the continued availability of affordable mortgage credit to all qualified borrowers. Therefore, as FHFA takes steps to implement a single mortgage backed security (Single Security) that will maximize the liquidity of GSE securities and continues the creation of a new securitization infrastructure, we respectfully request that any changes are carefully monitored to avoid negatively impacting the ability of either GSE to provide affordable mortgage credit to borrowers.

### **Strategic Plan**

In August 2014, FHFA published the Strategic Plan for the conservatorship of Fannie Mae and Freddie Mac. As part of the Strategic Plan set forth by FHFA, the GSEs will continue building a new infrastructure for the secondary mortgage market and, as part of that, work on the development of a single GSE security. The existence of a highly liquid secondary mortgage market makes both Fannie Mae and Freddie Mac securities attractive to investors; however, due to a variety of factors impacting the liquidity and therein value of Freddie Mac securities, the development of a Single Security is intended to increase the overall liquidity and total value of GSE securities.

Additionally, the development of a common securitization platform which will have the operational capacity to bundle mortgages into securities and issue a Single Security will be beneficial to the marketplace. REALTORS® understand the need for a new securitization platform, and fully appreciate FHFA working to foster one that the GSEs will utilize in tandem, as opposed to using taxpayer money to create two different platforms.

### **Single Security Must Benefit Borrowers**

FHFA identified the promotion of credit liquidity that benefits borrowers and a securitization structure that operates flexibly and efficiently as key principals critical to the success of a functional secondary mortgage market. Currently, the GSEs perform many



different securitization functions including master servicing of loan pools, overall bond administration for investors, and issuance of MBS. Some of the differences in the operational aspects of these factors contribute to pricing inefficiencies between Fannie Mae and Freddie Mac securities and a Single Security may assist in resolving these differences. NAR believes FHFA should carefully monitor potential pricing inefficiencies to ensure that issuance of the Single Security benefits borrowers. Most importantly, this process should not impede a borrower's ability to 'lock in' an interest rate ahead of settlement of their home purchase and should contribute to lower mortgage rates through the increased liquidity of a Single Security.

### **Standardization Will Improve Market Inefficiencies**

Though the entities should be kept separate and continue to compete in guarantee fee pricing, some degree of standardization would help to ensure that market inefficiencies do not redevelop after the multi-year effort to implement a Single Security offering.

Though certain alignment activities for GSE selling and servicing guides continue to progress, the current Seller and Servicer guides used by both GSEs consists of a two separate guides that set forth the parameters of loans delivered to the GSEs and the servicing responsibilities of the servicers of the loans. Additionally, each GSE has agreements with specific sellers outlining the general terms applicable to the transfer of mortgages and master trust agreements setting out the structure of the securities. These differences contribute to the different valuations amongst MBS investors. Standardizing some of the operational policies will provide investors with the uniformity that is currently absent, and will create the confidence and consistency required for a wider range of investment.

### **Conclusion**

NAR appreciates the opportunity to comment on FHFA's proposal to create a Single Security that could be guaranteed by either Fannie Mae or Freddie Mac. It is critical that throughout the creation of a more efficient and effective housing finance structure, the continued availability of affordable mortgage credit to all qualified borrowers remains a top priority. REALTORS® support the creation of a common securitization platform, and have long maintained that the key to the nation's economic strength is a robust housing industry. Government participation in the secondary mortgage market is necessary to ensure that all creditworthy consumers have reasonable access to mortgage capital. FHFA's attempt to bring standardization, stability and confidence in the mortgage market space is an important step towards improving the cost of mortgage credit and facilitating the return of private capital to the housing finance system.

If you have questions, please feel free to contact me or Charlie Dawson, NAR's Senior Policy Representative for Financial Services, at 202.383.7522 or [cdawson@realtors.org](mailto:cdawson@realtors.org).

Sincerely,

A handwritten signature in blue ink that reads "Steve Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Steve Brown  
2014 President, National Association of REALTORS®