

# NAR Issue Brief

## Freddie Mac and Fannie Mae Guarantee Fees

With the launch of the latest Call for Action, you may face member questions about the rationale for the Call for Action and an explanation of the underlying issue.

The Call for Action has been launched because there is a possibility that the House of Representatives Transportation and Infrastructure Committee could target G-Fee revenue to help pay for reauthorization of the highway bill.

NAR is opposed to the use of G-Fee revenue for any non-housing related purpose. The Call for Action is to remind Congress of our position on the use of the G-Fee.

**Bottom Line: Passing a new highway bill is important, and NAR supports many of the provisions in the legislation, but NAR can't support funding the highway bill through the use of G-Fee revenue.**

### What is a Guarantee Fee (g-fee)?

- GSE guarantee fees are charged by Freddie Mac and Fannie Mae to lenders for bundling, selling, and guaranteeing the payment of principal and interest on their Mortgage Backed Securities.
- Most of the guarantee fee covers projected credit losses from borrower defaults over the life of the loans, administrative costs, and a return on capital.
- Beside protecting against credit-related losses, these fees also cover internal expenses for such services as:
  - Managing and administering the securitized mortgage pools
  - Selling the Mortgage Backed Securities to investors
  - Reporting to investors and the Securities Exchange Commission
  - Maintaining the Mortgage Backed Securities on the open market
  - General and administrative expenses

### NAR Position

- The National Association of REALTORS® strongly opposes the use of guarantee fees for any non-housing purposes.
- Use of g-fee revenue to fund transportation programs saddles future homeowners with an unnecessary long-term burden
- Use of g-fee revenue to fund transportation programs prevents Fannie Mae and Freddie Mac from effectively managing their risk.