

March 18, 2015

The Honorable Michael Enzi  
Chairman  
Committee on the Budget  
United States Senate  
624 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Bernie Sanders  
Ranking Member  
Committee on the Budget  
United States Senate  
624 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Enzi and Ranking Member Sanders:

The undersigned organizations urge you to support the Crapo-Warner Amendment to the Budget Resolution to ensure that Congress cannot raise Fannie Mae and Freddie Mac guarantee fees to offset the costs associated with unrelated initiatives. The Senate adopted similar language during the 113<sup>th</sup> Congress with bipartisan support.

Fannie and Freddie charge these guarantee fees, or g-fees, to cover the credit risk they take when they package loans into mortgage-backed securities that carry a guarantee of timely payment for bond investors. While lenders are technically responsible for paying the g-fees when they deliver loans to the GSEs, the lenders then pass the costs along to borrowers. Consequently, whenever g-fees rise, mortgages become more expensive for families buying homes and for homeowners who refinance.

To protect the taxpayer most effectively, it is critical for Fannie and Freddie to charge g-fees that are high enough to cover their risk but not too high to harm the housing market. Currently, this balance is already tenuous, in part due to previous legislation that used the g-fee to pay for unrelated costs. Any additional mandates will damage their ability to manage this balance appropriately.

Additionally, making mortgages more expensive at a time when wages are stagnant and other costs of living are rising will constitute yet another obstacle to homeownership, one that falls particularly hard on communities of color, Millennials struggling with student debt, and other low-wealth families. Currently, homebuyers who cannot afford a 20 percent down payment or who have less than pristine credit scores already pay extra Fannie and Freddie g-fees (in some cases, 300 basis points more). Customers without a 20 percent down payment also have to pay for private mortgage insurance on top of the g-fees.

In short, g-fee increases that are not directly tied to the level of risk presented to Fannie and Freddie by the loans they purchase will make mortgages more expensive, fall particularly hard on lower-wealth families and communities of color, expose the taxpayer to potential losses, slow the already struggling housing market recovery, and prevent residential investment from helping to drive overall economic growth.

We urge the Budget Committee to pass the Crapo-Warner Amendment to the Budget Resolution.

Sincerely,

Americans for Financial Reform  
Center for American Progress  
Center for NYC Neighborhoods  
Center for Responsible Lending  
Consumer Federation of America  
Empire Justice Center  
The Greenlining Institute  
The Leadership Conference on Civil and Human Rights  
NAACP  
National Community Reinvestment Coalition  
National Consumer Law Center (on behalf of its low-income clients)  
National Council of La Raza  
National Council of State Housing Agencies  
National Fair Housing Alliance  
National Housing Conference  
National Housing Resource Center  
National Housing Trust  
Mark Willis, Furman Center for Real Estate and Urban Policy, New York University\*

\*affiliation listed for identification purposes only

Cc: The Honorable Mike Crapo  
The Honorable Mark Warner