

FHFA's Delay of Fannie & Freddie Mortgage Refinancing Fee is a Necessary Yet Utterly Insufficient Step for Struggling Homeowners

Washington, D.C. - The Federal Housing Finance Agency (FHFA) announced yesterday that a fee from Fannie Mae and Freddie Mac, which FHFA previously approved and which makes refinancing more expensive for mortgages backed by those companies, will be delayed until December 1. FHFA also said the fee will not apply to refinance loans with balances below \$125,000. The fee is 0.5 percent and would add an additional cost of \$1,400 to the average mortgage loan. Fannie and Freddie provide financial backing for around half of all U.S. mortgages and are Government Sponsored Enterprises (GSEs).

Today, the Center for Responsible Lending along with the National Fair Housing Alliance, National Consumer Law Center (on behalf of its low-income clients), and Consumer Federation of America said FHFA's delay and narrowing of the fee, but the agency must completely eliminate the fee and take additional steps to ensure low- to moderate-income and lower-wealth mortgage borrowers can refinance, so that they can more easily afford their mortgage.

"FHFA took a step toward addressing concern over the refinancing fee, but more needs to be done to ensure lower-wealth families can obtain needed relief through refinancing. Lower-wealth homeowners, disproportionately people of color, are most negatively impacted by COVID-19, leading them to struggle financially during this period of both health and economic crises. These hard-working families should be able to refinance at the historically low interest rates to save money on their mortgage - just as higher-wealth homeowners are doing," **said Nikitra Bailey, Executive Vice President at the Center for Responsible Lending.** "The GSEs should not increase fees in a crisis. This entire episode demonstrates yet again why the GSEs should be regulated as utilities to fulfill their public mission and responsibility."

Bailey added, "Recovery from the Great Recession was uneven with most of the support from the Home Affordable Refinance Program (HARP) going to wealthier households. We must learn from the past to ensure a just recovery that does not leave Black and Brown communities behind. The SBA Paycheck Protection Program has already failed to be distributed equitably. Another form of large-scale government support cannot be permitted to do the same."

Lisa Rice, President at the National Fair Housing Alliance said, "Because of the GSEs' Loan Level Pricing Adjustments (LLPAs) - a crude matrix for measuring risk - borrowers of color are already disproportionately steered to FHA loan products, severely limiting their mortgage credit options. The proposed added fee only exacerbates this systematic barrier to credit access for consumers of color. FHFA should be implementing policies that minimize lending steering not working to decrease opportunities for underserved borrowers. This added fee also diminishes the GSEs' ability to fulfill their charter and mission requirement to 'promote access to mortgage credit' for 'central cities, rural areas, and underserved areas.' The National Fair Housing Alliance calls on the Federal Housing Finance Agency to abandon its proposal to implement the mortgage refinancing fee."

Alys Cohen, Staff Attorney in the National Consumer Law Center's Washington Office, stated, "Many homeowners, especially in Black and Latinx communities, are finding it hard to meet their financial obligations right now as the nation faces the health and economic consequences of

the pandemic. The option to affordably refinance without additional fees would allow homeowners to more easily pay other bills and better use their often-limited financial resources. Government-backed mortgage refinancings should be made widely available during these unprecedented times and should not play a role in further exacerbating racial inequality.”

Mitria Wilson, Director of Housing Policy at the Consumer Federation of America, noted, “As the nation continues to navigate the COVID-19 pandemic and its corresponding economic challenges, now is not the time to needlessly increase the costs of refinance products for consumers. FHFA’s decision to delay implementation of the refinance fee is important, but still not enough. Ultimately, the FHFA should reconsider and reverse its decision requiring the GSEs to assess the fee in the first place.”

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