Massachusetts Credit Unions

Creating Cooperative Power

August 17, 2020

An Open Credit Union Letter to the Massachusetts Congressional Delegation
In Opposition to New GSE Adverse Market Refinance Fees

Senator Ed Markey
Congresswoman Katherine Clark
Congressman Joseph Kennedy, III
Congressman James McGovern
Congressman Richard Neal
Congresswoman Lori Trahan
Senator Elizabeth Warren
Congressman William Keating
Congressman Stephen Lynch
Congressman Seth Moulton
Congresswoman Ayanna Pressley

<u>BY EMAIL ONLY</u>

Dear Members of the Massachusetts Congressional Delegation:

On behalf of Massachusetts credit unions, the Cooperative Credit Union Association, Inc. ("Association") offers the following comments, also expressed in a direct letter to Federal Housing Finance Agency ("FHFA") Director Mark Calabria, regarding complete credit union opposition to the agency's recently announced 0.5% fee increases for certain refinanced mortgages purchased by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (collectively "GSEs") effective September 1, 2020. The Association respectfully seeks your assistance in requesting the FHFA to immediately suspend the imposition of the new market fee.

As you are aware, the Association is the state trade association representing approximately 130 Massachusetts credit unions which further serve over 2.6 million consumer members.

1. <u>Adverse Consumer Impact</u>

The layering of an additional fee will have a deterrent effect, ultimately borne by borrower members of credit unions, and resulting in higher costs for them to refinance home mortgage loans.[1] As a result of the pandemic and uncertain economy, many borrowers need the additional financial boost that refinancing their home at a lower rate provides for them and their families. In many cases in New England and beyond, the equity in members' homes is an emergency lifeline to homeowners. Association member credit unions have remained sensitive and responsive to the needs of their members who rely on this financial cushion as they experience further deterioration in finances, personal hardship, and job loss during the current historic health crisis as it pivots to a financial impact. Without question, the benefits of mortgage refinancing will be chipped away, if not fully negated, by the newly scheduled fee.

[1] Congresswoman Maxine Waters (D-CA), Chairwoman of the House Committee on Financial Services, and Congressman William Lacy Clay (D-MO), Chair of the Subcommittee on Housing, Community Development and Insurance, both have noted that the new fee will adversely impact homeowners by making refinancing more expensive as well as by adding a new penalty preventing Americans from taking advantage of lower interest rates. https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406855

2. <u>Timing of Fee is Excessive and Punitive</u>

The Association believes that the timing of the new fee will undoubtedly be punitive for borrowers and credit unions, as well as negatively impacting the economy. Borrowers will most certainly realize less money from their refinancing when such funds could be used to help working families and their communities endure the pandemic. According to the Mortgage Bankers Association and other housing market experts, the fee will average over $1,400 per loan. Furthermore, credit unions will be adversely impacted by absorbing substantial unexpected costs. Applying the fee to pending loans that have locked rates and are scheduled to close after the effective date of the new fee is unacceptable and results in a credit union having two choices: either passing this new cost onto the borrower at a late stage in the loan process, or the credit union being forced to absorb the fee entirely, both of which are unacceptable. One credit union member of the Association has estimated an impact of $300,000 on pending loans that have locked in rates and are scheduled to close after the effective date of the new fee.

The imposition of the fee and its implementation, in the middle of the current economic upheaval, run absolutely counter to the purpose of the GSEs, which is to facilitate a free flowing secondary market for the benefit of borrowers, lenders and the economy. It also frustrates the unwavering mission of credit unions to help member borrowers achieve and maintain the American dream of homeownership.

3. <u>Current Profit Levels of GSEs</u>

Despite earnings decreases commonly associated with the pandemic, the Federal National Mortgage Association recently reported profits of $2.5 billion for the second quarter of this year and Federal Home Loan Mortgage Corporation reported comprehensive income of $1.9 billion for the same period. As a result, these profit levels do not reveal any need by the GSEs for additional income from another fee levied at a time and in such a manner as is found within the pending action.

The Association unanimously opposes efforts by the GSEs to impose fees simply to boost their bottom lines.

4. <u>Lack of Clarity and Demonstrated Need</u>

The GSEs indicate that the fee will help mitigate the adverse market but have not demonstrated that they cannot manage risks without the fee. Furthermore, through regulatory restrictions that apply to many refinancings, loan originators/sellers help ensure that borrowers can repay their loans, which in turn, helps mitigate risks for the GSEs.

Confusion is also mounting over the application of the fee to pending loans. No regulatory implementation assistance, such as sample Questions and Answers, have been provided to homeowners or the mortgage industry.

In essence, this new fee is ill-advised and ill-timed. It is anti-consumer and will harm the home refinancing market at the very time its health and stability are most needed. Causing a significant disruption to the availability of residential credit at a time when access is essential to continued economic recovery, must be stopped. The Association respectfully seeks your assistance in requesting the FHFA to immediately suspend the imposition of the new market fee.

Thank you for your consideration of local credit union concerns.

Sincerely,

Ronald McLean
President and CEO

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