To the Federal Housing Finance Agency:

My name is Ronald Stephens. I am a professor of African American Studies at Purdue University. Thank you for the opportunity to share my written thoughts on No. 2024-N-5, a notice of proposed action from the Federal Housing Finance Agency on a proposal from the Federal Home Loan Mortgage Corporation (Freddie Mac) “to purchase certain single-family closed-end second mortgages,” with you.

The stated mission of [Freddie Mac](https://nam04.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.freddiemac.com%2Fabout%2Fcompany&data=05%7C02%7Cstephe87%40purdue.edu%7Cc92344ba1ebf4851c4cf08dc7744f109%7C4130bd397c53419cb1e58758d6d63f21%7C0%7C0%7C638516385192758456%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=ZXTFMzxc%2BbTuGI%2FZCV8v0kTY%2FaIyjYFI4z5lJiguWAE%3D&reserved=0) is to provide “liquidity, stability, and affordability” to our nation’s housing market, but it is my belief that this proposal would completely undermine Freddie Mac’s stated mission. Increased investment in real estate for profit rather than for personal use can lead to speculative bubbles, further increasing prices. As home prices increase, affordability decreases, affordability decreases, particularly affecting first-time buyers and lower-income households. Rising prices can lead to the displacement of lower-income residents from desirable neighborhoods, exacerbating inequality and access to quality housing.

Unfortunately, for too many Americans, the dream of owning a house is just that – a dream. Millions have been priced out of the market as interest rates have risen, property taxes have increased, inflation has increased the cost of living, hedge funds have begun purchasing real estate, and there is a shortage of housing units throughout much of the nation. A recent study by the [California Association of Realtors](https://nam04.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.car.org%2Faboutus%2Fmediacenter%2Fnewsreleases%2F2023-News-Releases%2F3qtr2023hai)&data=05%7C02%7Cstephe87%40purdue.edu%7Cc92344ba1ebf4851c4cf08dc7744f109%7C4130bd397c53419cb1e58758d6d63f21%7C0%7C0%7C638516385192764429%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=oNj1HdnYEPJyWaHy1UZHYf%2BWl5yEJF3R%2FwzyovoScaw%3D&reserved=0) (C.A.R.) found that to afford a median-priced home in Orange County, California, a household needs an annual income of over $300,000. Specifically, a minimum income of $303,600 is required to afford the monthly payment of $7,590 on a median-priced home.

Instead of tackling the housing crisis, Freddie Mac is seeking to purchase certain single-family closed-end second mortgages. Such a move would represent a potential disaster for American taxpayers. By driving up demand for housing, it would also lead to a surge in housing prices and a decrease in the number of homes on the market — a recipe for making the nation’s current housing problems even worse.

Inflation is primarily driven by an increase in the money supply relative to the supply of goods and services. When there is more money in circulation, acquiring the same goods and services becomes more expensive as the currency's purchasing power decreases.

It has been estimated that there is an [estimated $1 trillion](https://nam04.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.capitolaccountdc.com%2Fp%2Ffreddie-macs-under-the-radar-mortgage&data=05%7C02%7Cstephe87%40purdue.edu%7Cc92344ba1ebf4851c4cf08dc7744f109%7C4130bd397c53419cb1e58758d6d63f21%7C0%7C0%7C638516385192769990%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C0%7C%7C%7C&sdata=8ev%2BWeLLpDN3tF1uSq0cuR1b3JzIV0XzSIh6c3K%2FKwA%3D&reserved=0) (or more) market for these potential second mortgages — and by purchasing these second home equity mortgages, Freddie Mac would increase the overall money supply by massive proportions.

The significant increase in home prices would also lead to higher renters' costs, making it worse as landlords could charge more for their properties. This would further contribute to inflation as the cost-of-living increases for a larger portion of the population, turning Freddie Mac's stated mission squarely on its head.

What’s more, this proposal could lead to an increase in risky lending practices, and just as they did before the 2008 housing bubble burst, lenders would be more likely to target vulnerable borrowers who are desperate for financial assistance. This could result in a higher number of foreclosures, particularly among minority communities, further perpetuating the cycle of inequality and instability in the housing market.

In closing, I believe what we have here is a policy that would, by driving up inflation, putting taxpayers on the hook for trillions of dollars, and reducing the chances of home ownership for millions of Americans, undermine Freddie Mac’s stated operational mission. Purchasing second mortgages as a policy could disproportionately benefit wealthier Americans and significantly drive-up home prices, making housing less affordable for vulnerable populations. Effective regulation can mitigate some of the negative impacts. Balancing such policies with measures to support affordable housing and protect first-time buyers with incentives or grants, can help offset the advantages held by wealthier investors. Even for middle-income buyers it would be crucial to prevent exacerbating housing inequality. I humbly ask that you please consider these points as you assess the merits and demerits of this FHLMC proposal in the coming weeks.