



STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SPRINGFIELD, ILLINOIS 62706

Pat Quinn
GOVERNOR

October 1, 2012

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Acting Director DeMarco,

I was extremely disappointed to learn that the Federal Housing Finance Agency (FHFA) is seeking to increase loan origination fees for new home loans issued in Illinois and five other states, which continues a troubling pattern of recent decisions by your agency.

In the face of this sustained downturn, the FHFA has twice this year increased the fees required for homeowners obtaining a mortgage. This action only serves to challenge the market further, making homeownership less affordable for borrowers. Now, the FHFA proposes raising fees yet again and targeting Illinois homeowners specifically.

Fannie Mae and Freddie Mac were designed to act as a countercyclical force, ensuring liquidity and stabilizing the housing market when private capital withdraws. The FHFA has done the opposite by repeatedly adopting policies that have resulted in tighter credit and less stability, further weakening an already fragile market.

Recent decisions by the FHFA to aggressively pursue the repurchase of loans from originators – for even the most minor of underwriting errors – has led lenders to tighten their underwriting standards, denying even the most creditworthy borrowers access to a mortgage. In 2007, the average loan backed by Fannie Mae had a credit score of a 716 and a loan to value of about 75%. Today, the average loan has a credit score of 762 and a loan to value of less than 70%. This means fewer borrowers can access credit to buy a home, which is shrinking the pool of potential homebuyers and further stymieing our recovery.

Similarly, the decision by FHFA not to participate in principal reductions despite the incentives being offered by the Treasury is equally disturbing. While homeowners across the country have lost nearly \$7 trillion in equity, the FHFA refuses to participate in principal reductions that would help alleviate the oversized debt of homeowners and help to lift the economy and housing market. This refusal is even more confounding given the FHFA's own admission that the principal reductions would likely result in a net benefit to the finances of Fannie and Freddie, which supports what the FHFA apparently sees as its sole mission, "to preserve and conserve the enterprises' assets."

This rationale ignores the larger mission of these entities and fails to acknowledge that a broad housing recovery will provide exponentially greater returns to Fannie and Freddie than saving dollars on any given mortgage.

We would all do much better to work together toward a common goal of repairing the troubled housing market. That means providing needed stability and certainty to the financial markets, so we might attract private investment. That means providing access to low-cost mortgage products for creditworthy borrowers, so excess inventory might be absorbed. And that means providing relief to existing homeowners, so they too can avoid foreclosure and begin to spend again. Because when housing market recovers, so will Fannie and Freddie, and the FHFA's mission will be fulfilled - completely.

Illinois is doing its part.

We're helping homeowners stay in their homes. In just the past year, we've provided financial assistance through the Illinois Hardest Hit Program to close to 5,000 Illinois homeowners who are struggling to maintain their mortgages. We launched a loan modification program that is helping homeowners modify their existing mortgages. We launched a network consolidating resources and services across the state to help existing homeowners get relief and avoid foreclosure.

We're helping communities dealing with the aftermath of foreclosure and stabilizing home prices in the process. We've helped to rehabilitate hundreds of vacant properties in communities across the state. We launched a homeownership program providing \$10,000 in down payment assistance to buyers willing to purchase a vacant home. And we continue to provide financing to developers willing to acquire and rehabilitate vacant homes in our neighborhoods.

What we need right now is a way to help the housing recovery, not stall it. Figures released at the end of July show that loan origination rates are at their highest since 2010, and Illinois home sales are on the rise – the 14th straight month of improvement. We have a long way to go before we see a full recovery, but I have been encouraged by this and other recent news.

With home prices and interest rates at historic lows, homeownership has never been more affordable. Forcing potential homeowners out of the market with increased fees and credit requirements is not the answer. Instead, we need incentives in place to keep expanding the housing market.

I am asking you to withdraw this rule, to stop looking backward and help us continue moving forward.

Sincerely,

A handwritten signature in black ink that reads "Pat Quinn". The signature is written in a cursive, slightly slanted style.

Pat Quinn
Governor

Cc: Illinois Congressional Delegation