



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

November 26, 2012

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
400 Seventh Street SW
Ninth Floor
Washington, DC 20024

Dear Acting Director DeMarco,

As Florida's Chief Financial Officer, I am writing to urge the Federal Housing Finance Agency (FHFA) to withdraw its September 25th proposal to increase the Guarantee Fee ("g-fee"), or loan origination fee, assessed by Fannie Mae and Freddie Mac for new home loans.

First, your draft proposal penalizes Florida based on a foreclosure process that, while lengthy, aims to protect consumers and pre-empt fraudulent foreclosure practices. Second, the proposal does not set a fair standard across the fifty states. Fannie Mae and Freddie Mac would narrowly apply the proposed fee to five states despite data that shows there are twenty-six states with "carrying costs" above the national median. Because the policy relies on a somewhat arbitrary threshold to raise the fee rather than actuarial cost, by design, it fails to institute a true risk-based fee.

More importantly, the FHFA proposal to increase Fannie Mae and Freddie Mac's g-fee by twenty basis points for single-family mortgages in Florida would raise the lifetime cost of mortgages by potentially thousands of dollars for aspiring homebuyers in our state. This consequence is especially troublesome for Florida, where the housing and construction sectors have suffered enormous losses in recent years.

This new proposal comes after g-fees have already been raised substantially in recent months; on average, g-fees increased from twenty-six basis points in 2010 to twenty-eight basis points in 2011, with another average hike of ten basis points ordered this year by the FHFA. Per the example provided in your draft proposal, this means that loan origination fees for a \$200,000 mortgage would increase by at least another \$1,700 over the life of the loan.

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Furthermore, Floridians along with all U.S. taxpayers have already spent nearly \$190 billion bailing out Fannie Mae and Freddie Mac, of which only a fraction has been paid back. It is unconscionable to think that Fannie Mae and Freddie Mac want to take more of taxpayers' hard-earned dollars through higher fees before resolving more fundamental problems, including addressing their financial mismanagement.

Currently, Fannie Mae and Freddie Mac service approximately 1.9 million loans for single-family homes in Florida. Raising mortgage costs could weaken demand for these homes and thereby reduce their value, which could worsen the foreclosure situation that Fannie Mae and Freddie Mac would be liable for.

While market-based principles should be used to address challenges with the nation's housing finance market, this policy falls short by overlooking more fundamental problems with Fannie Mae and Freddie Mac and by employing unfair standards based on a flawed methodology.

In closing, it is my expectation that the FHFA will address the concerns I have raised and reconsider its short-sighted and financially burdensome proposal in favor of a more comprehensive solution to its financial situation.

Sincerely,



Jeff Atwater
Chief Financial Officer
State of Florida

Cc: The Honorable Rick Scott, Governor, State of Florida
Commissioner Drew Breakspear, Office of Financial Regulation
Stephen Auger, Florida Housing Finance Agency
John Sebree, Florida Association of Realtors
Frank Cicione, Florida Association of Mortgage Brokers
Alex Sanchez, Florida Bankers Association
Aletta Shutes, Florida Credit Union League