



VIA E-MAIL TRANSMISSION

gfeeinput@fhfa.gov

November 26, 2012

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

**Re: *State-Level Guarantee Fee Pricing*
*No. 2012-N-13***

Dear Mr. DeMarco:

The Illinois Credit Union League (“ICUL”) represents over 320 credit unions in Illinois, many of whom transfer mortgage loans to Fannie Mae and Freddie Mac (the “Enterprises”). We are pleased to comment on the Federal Housing Finance Agency’s (“FHFA”) Notice of proposed adjustment to the approach for setting state-level guarantee fees (the “Proposal”).

ICUL is cognizant of the FHFA’s duties and obligations as conservator of the Enterprises, however, increased costs ultimately borne by potential qualified borrowers is more of a detriment to the overall housing and mortgage loan environment in the five affected states than it is a benefit to the fiscal stability of the Enterprises. ICUL encourages the FHFA to withdraw the Proposal.

The methodology utilized by the FHFA to single out the five states being charged a higher fee (Illinois, Connecticut, Florida, New Jersey and New York) is inherently flawed. As stated in the Proposal, “the approach set forth in this Notice is based on Enterprise experience and does not include the forward-looking impact of recently-enacted state and local laws[.]”¹ By not accounting for recently-enacted state legislation, the Proposal ignores initiatives that have been put in place to diminish the likelihood of new loan defaults as well as reduce the backlog of existing foreclosed properties. In Illinois, no less than sixteen measures have been enacted since the onset of the foreclosure crisis aimed at educating and involving homeowners in, or at risk of default; engaging municipalities in effective maintenance of foreclosed properties; and creating a more efficient judicial process in foreclosure matters.² These new laws are the result of a negotiated balance between homeowner protection and the necessity of lenders to recognize value for the collateral and reduce loan losses, with the cumulative effect of lowering both the number of foreclosures filed, and the time to transfer those properties in foreclosure to Enterprise ownership. If given the appropriate time to produce these results, state law in Illinois will reduce the factors utilized by the FHFA in the Proposal’s fee methodology and ultimately decrease the costs the Enterprises experience related to mortgage loans they acquire in Illinois. Instituting an up-front 15 basis

¹ 77 Fed. Reg. 58891.

² See e.g., Illinois P.A. 95-061 (eff. 01/01/09); Illinois P.A. 95-0262 (eff. 01/01/09); Illinois P.A. 95-1047 (eff. 04/06/09); P.A. 96-0856 (eff. 12/31/09); Illinois P.A. 96-1419 (eff. 10/01/10); Illinois P.A. 97-0329 (eff. 08/12/11); and Illinois P.A. 97-0666 (eff. 01/13/12).

point fee on mortgage loans would only hinder and delay this process, thereby causing increased costs for the Enterprises – the opposite of the FHFA’s intent.

The Proposal’s intended fee for mortgage loans in Illinois is premature given actions currently being taken by the FHFA itself. In December, 2011, the FHFA filed suit against the City of Chicago to enjoin the City from enforcing an ordinance requiring mortgagees to pay for the maintenance of abandoned property or be subject to a daily fine.³ With mortgage loan defaults in the City of Chicago representing a considerable amount of the cost the Enterprises incur in Illinois, the FHFA should hold in abeyance any new fee adjustments until it has had the ability to analyze the actual costs the Enterprises will be subject to following resolution of this judicial matter.

Basic theory of supply and demand prove the Proposal counterintuitive to the FHFA’s obligations as conservator of the Enterprises. To decrease costs the Enterprises experience associated with mortgage loan default and foreclosure, the number of defaults and foreclosures (supply) need to be reduced. To do so, the cost must be minimized, thereby increasing demand. Heightened underwriting standards have already adversely affected the number of potential borrowers; increasing costs associated with the loan through the Proposal’s increased guarantee fee in Illinois would only further thin the pool of new loans. Furthermore, targeting States that are some of the hardest hit by the foreclosure crisis may only deteriorate their housing markets and exacerbate the Enterprises’ poor fiscal condition. The FHFA must be proactive in measures to increase lending in these States, not acting to stifle it through additional borrower cost.

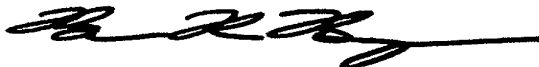
Should the FHFA wish to reevaluate the process for charging guarantee fees and migrate to a state-specific formula, the standard needs to apply evenly nationwide, with all states sharing in the adjustment based on their relation to the national average. Additionally, state legislative initiatives, such as those in Illinois, must be taken into account to allow those states to correct their markets without the burden of additional fees.

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The Illinois Credit Union League appreciates the opportunity to respond to the FHFA’s Notice to amend the approach to charging guarantee fees. For the reasons stated above, we believe the Proposal should be withdrawn. We will be happy to respond to any questions regarding these comments.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE



By: Brad R. Bergmooser
Corporate Counsel

³ *Federal Housing Finance Agency v. City of Chicago*, Case No. 1:11-cv-08795 (filed December 12, 2011).