

Congress of the United States  
Washington, DC 20515

# 2232

RECEIVED  
10-12-10

October 4, 2010

Mr. Edward DeMarco  
Acting Director, Federal Housing Finance Agency  
1700 G Street, NW  
Washington, DC 20552

Dear Acting Director DeMarco:

We are writing to express our concern regarding additional fees being imposed on borrowers by Fannie Mae and Freddie Mac that are potentially putting taxpayers at risk, prohibitively raising the cost of conventional mortgages and discouraging private sector capital from stepping in and contributing to a recovery in the housing market.

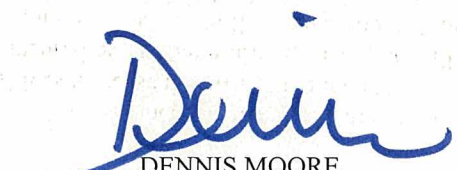
It is our understanding that these new fees are not standard guarantee fees, but are additional fees charged to borrowers. The GSEs are imposing a set fee for all mortgages and then a delivery fee tied to the borrowers' credit score, initial loan-to-value ratio and other factors. These fees increase the risk that taxpayers will bear even more of the burden of the housing market recovery in two ways: (1) the fees are charged in lieu of adequate private mortgage insurance which is private sector capital that stands in front of taxpayer money; and (2) the fees increase the cost to borrowers to such an extent that they are driving them to FHA loans.

It is clear that the GSEs are charging these fees as a credit risk mitigation tool. There is no indication, however, that these fees go into a regulated reserve structure similar to the reserve structure required for private mortgage insurers which has enabled them to survive and pay claims in the worst housing market since the Great Depression. Since 2007, private mortgage insurers have relieved the taxpayers from paying an additional \$17 billion to the GSEs. Without adequate, regulated insurance, there is no way of knowing whether the GSEs will have money available to pay losses if mortgages subject to these burdensome fees go to default.

The fees increase the potential burden on taxpayers in another important way by driving business to FHA. The GSEs' fees increase the cost of the loan to borrowers and, therefore, borrowers are choosing FHA loans over conventional loans insured by private mortgage insurance. FHA does not review the underwriting of the individual mortgage loans it insures; it covers 100% of the loan amount if the borrower defaults, and it can insure loans as high as \$729,750 in some areas of the country. If FHA's financial condition were to deteriorate, the total cost of FHA losses would be borne by taxpayers. It would be far less expensive for the borrower and safer for taxpayers if the GSEs simply required deeper mortgage insurance coverage, rather than charging these fees.

For these reasons, we urge the FHFA to act now and prevent the GSEs from imposing these fees.

Sincerely,

  
DENNIS MOORE  
Member of Congress

  
SCOTT GARRETT  
Member of Congress

CC: The Honorable Timothy Geithner, Secretary, U.S. Department of the Treasury

*Maxine Waters*

MAXINE WATERS  
Member of Congress

*Ron Paul*

RON PAUL  
Member of Congress

*Luis Gutierrez*

LUIS GUTIERREZ  
Member of Congress

*Donald A. Manzullo*

DONALD A. MANZULLO  
Member of Congress

*Ruben Hinojosa*

RUBEN HINOJOSA  
Member of Congress

*Walter B. Jones*

WALTER B. JONES  
Member of Congress

*Wm. Lacy Clay*

WM. LACY CLAY  
Member of Congress

*Shelley Moore Capito*

SHELLEY MOORE CAPITO  
Member of Congress

*Joe Baca*

JOE BACA  
Member of Congress

*Jeb Hensarling*

JEB HENSARLING  
Member of Congress

*Brad Smith*

BRAD MILLER  
Member of Congress

*Patrick T. McHenry*

PATRICK T. McHENRY  
Member of Congress

*Gwen Moore*

GWEN MOORE  
Member of Congress

*John Campbell*

JOHN CAMPBELL  
Member of Congress

*Walt Minnick*

WALT MINNICK  
Member of Congress

*Kenny Marchant*

KENNY MARCHANT  
Member of Congress

*Gary Peters*

GARY PETERS  
Member of Congress

*Bill Posey*


BILL POSEY  
Member of Congress



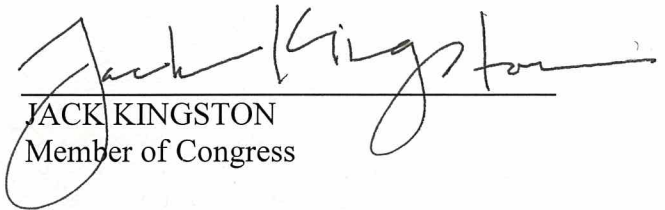
W. TODD AKIN  
Member of Congress




SAM JOHNSON  
Member of Congress



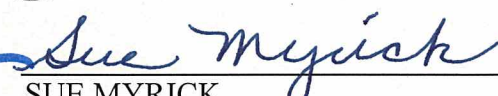
ROB BISHOP  
Member of Congress



JACK KINGSTON  
Member of Congress



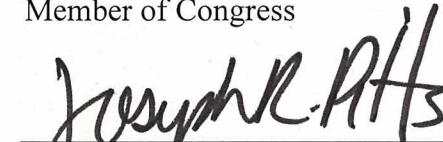
MARSHA BLACKBURN  
Member of Congress



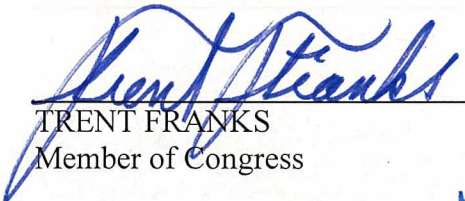
SUE MYRICK  
Member of Congress



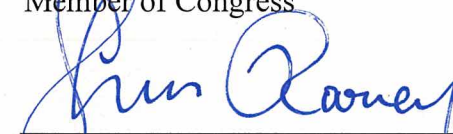
JOHN FLEMING  
Member of Congress



JOSEPH R. PITTS  
Member of Congress



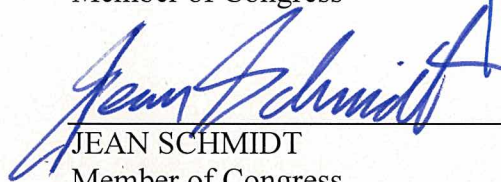
TRENT FRANKS  
Member of Congress



THOMAS J. ROONEY  
Member of Congress



PHIL GINGREY  
Member of Congress



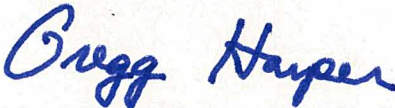
JEAN SCHMIDT  
Member of Congress



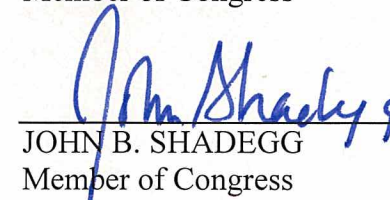
LOUIE GOHMERT  
Member of Congress



AARON SCHOCK  
Member of Congress



GREGG HARPER  
Member of Congress



JOHN B. SHADEGG  
Member of Congress



DARRELL E. ISSA  
Member of Congress