FHFA Closed End Comments:

1) **To what degree might he proposed new product advance any of the purposes set forth in Freddie Mac's charter act?**

   The new closed end second advances Freddie Mac's charter, specifically charter mandates (2), (3), and (4). Regarding mandate (2) "respond appropriately to the private capital market", there is currently strong demand for this product. Unfortunately, bank's, credit union's and a few large non bank lenders are the only companies currently meeting this demand. Many banks have already filled their appetite for such longer-term debt and have begun to increase prices to compensate for their lack of capacity. IMB's have limited options. For example, we were approved by a portfolio lender to sell, service released, closed end seconds to them. However, the pricing is so high it feels like gouging. Which directly proves how this product would advance mandates (3) "provide ongoing assistance to the secondary market for residential mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and (4) promote access to mortgage credit throughout the Nation by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing." There would be more liquidity in secondary market, thus increasing distribution of capital, forcing lenders to be more competitive on pricing, and providing assistance to consumers.

2) **To what degree might the proposed new product advance Freddie Mac's Duty to Serve Underserved Markets activities and support Freddie Mac in meeting its housing goals?**

   As mentioned in question 1, most closed end seconds, today, are originated by depository institutions. Other non bank investors may have some appetite for these products but both banks and non banks have specific risk appetites. Underwriting standards are extremely strict. Many bank's will only give borrower's a second lien if they meet a certain deposit minimums or have other profitable banking relationships. Higher credit score requirements exclude borrowers and other strict underwriting standards leave many consumers unable to tap into their equity. If Freddie Mac provides liquidity and securitization for closed end seconds these issues are quickly resolved.

3) **To what degree might the proposed new product already be supplied by other market participants?**

   See answers in question 2. There are bank and non-bank originators offering closed end seconds but they are either limited, have expensive pricing, are hard to get, or require extensive bank relationships.

4) **To what degree might the proposed new product promote or lessen competition in the marketplace?**

   The new proposal would drastically increase competition. More lender's offering the product drives fees and margins down while also increasing availability.

5) **To what degree might the proposed new product raise or mitigate risks to the mortgage finance or financial system?**

There could be an argument made that housing prices have increased too quickly. If you believe this, giving American's a reliable option to tap their equity could prove to over lever the housing market. However, that is a different discussion and is not in the scope of this product review. If underwriting standards are prudent and borrowers are limited to 80% leverage, there really is no increase to risk. As it stands, a borrower can access equity in their home with a cash-out refinance. The proposed product provides a much cheaper method to access such equity, and ultimately, mitigates risk, as borrowers will be more likely to pay.

6) **To what degree might the proposed new product further fair housing and fair lending?**

The closed end second provides people with a cheaper alternative to tap the equity in their home. Ultimately, this increases competition. As mentioned in other answers, closed end seconds originated by banks skips over a large portion of American consumers. Just because someone does not have $50,000 in deposits with a bank doesn't mean they should be forced to charged an additional 300 bps in interest.

7) **To what degree might borrowers benefit from or be adversely affected by the proposed new product**

See answer to questions 6. Increased competition, lower pricing, more availability.

8) **Are there any other factors that the Director should take into consideration concerning the proposed new product?**

Even if interest rates come down from where they are today, it is unlikely we see 2.5% to 3.5% interest rates for a long time. That means some 60%+ American's are stuck trying to navigate the difficult world of tapping into their equity while keeping their low interest rate. We need this product so people can more affordably borrow against their homes!