

From: [Dottie Sheppick](#)
To: [#FHFA REG-COMMENTS](#)
Subject: [EXT] Freddie Mac Purchase of Closed End Seconds
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Attachments: [FHFA Comments on Freddie Mac Proposed Product.docx](#)

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Hello,

My name is Dottie Sheppick and I am the Co-Founder of Specialty Mortgage Product Solutions, LLC. My comments are written below and in the attached Word document. Thank you for the opportunity to comment on this proposed and critical step to support homeownership in the nation.

Q 1 If Freddie Mac can buy subordinate mortgages, many of the elements of the Charter Act will be met. Particularly providing stability in the secondary market for residential subordinate mortgages and participating in activities relating to mortgages on housing for low-and moderate-income families by increasing the liquidity of mortgage investments and improving the distribution on investment capital available or residential mortgage financing.

Q2 While affordable housing preservation is often thought of in terms of multifamily housing, it is important to preserve single family homeownership, too. By providing a cash out option that reduces all-in monthly payments a borrower can access cash with less risk of default. Some borrowers may use the cash from a subordinate mortgage to build an ADU, which increases affordable housing units and can provide a source of income to the borrower.

Q 4 Providing a GSE solution for whole loan sale of subordinate mortgages is likely to promote pricing competition, benefitting the borrowers.

Q 5 If the product can be extended (I noted the description of the “primary” goal as refinance) to include a concurrent close purchase, it could provide a significant benefit as a revolving source of funds for down payment assistance providers. If a 20-year fixed rate down payment assistance loan can assist more moderate income and first time homebuyers, government agencies, nonprofits and even employers will have more options for funding.

Q 6 By providing a GSE option for subordinate loans, it is likely to reduce the potential of a borrower who needs cash from entering schemes and uncommon or illegal mortgage lending structures.

Q 7 After the holding period of 6-9 months, we may find philanthropic entities, or government agencies interested in buying the non-TBA securities to stabilize homeownership in underserved communities who need a better option for cash out, without paying off the first.

If the product expands to allow concurrent close, and in states where housing cost have left many segments out, the purchase of down payment assistance loans could be a win-win for the purchaser of the securities and the underserved. In CA, the purchase of MBS is an allowed investment for the State Treasurer, this is potentially an option for the state government to participate in mitigating the housing crisis.

Q 8 If eventually the product can expand, to allow a concurrent close, it could be a benefit to providers of down payment assistance, as they could use it to across the higher income levels, thus expanding their program reach and complementing H.O.M.E., CDBG and other federal sources.

Q 9 I can see the product providing a solution on the horizon where borrowers holding a first mortgage that was originated through a state housing agency program is not able to refinance due to having a subordinate down payment assistance loan that does not allow re-subordination. It is now more common for HFAs to include a non-subordination term in their program, because it acts as a deterrent against early pre-pay, thus providing better pricing on premium priced first mortgages. If the product can be used to pay off a subordinate loan it may provide an opportunity for these borrowers to get a rate and term refinance on their first, when rates go down. Otherwise, they will be locked out of the rate and term refinance options and not able to reduce their first mortgage payments even as scores of non-HFA borrowers are doing so.

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