

From:
To: [#FHFA REG-COMMENTS](#)
Subject: [EXT] Strongly Opposed to GSEs Purchasing and Guaranteeing 2nd Mortgages
Date: Monday, May 13, 2024 2:46:21 PM

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FHFA,

As an industry insider who would like to remain anonymous, and as a student of history, I strongly urge FHFA to deny Freddie Mac's proposal to enter the 2nd lien mortgage business. Please see my rationale below.

- 1) Allowing **existing** homeowners to tap into equity by way of increasing leverage on their household balance sheet is not in the spirit or mission of expanding home ownership, providing liquidity to advance this cause, or ensuring a stable home mortgage market. Yes, it provides additional liquidity to existing property owners, but will further reduce inventory giving those home sellers another reason not to sell. The result will be even less inventory, higher home values, and more unaffordability for the people the GSEs and FHFA claim to want to serve. The wealth gap will even further increase if you approve this.
- 2) Approving this proposal is extremely political. Because liquidity in the 2nd lien mortgage space does nothing to expand new homeownership and in fact may do the opposite, FHFA will be accused (and is already being accused) of playing politics in an election year. Approving this would be nothing more than a short-term shot of adrenaline to the consumer leading up to the November elections.
- 3) Approving this proposal would be wildly inflationary. In our nation's fractional reserve banking system, creating new loans creates new currency in the system. If you want an example of how lending can cause inflation, see 2020 and PPP loans. More currency, no increase in supply of goods and services, the only outcome is higher prices.
- 4) 80% combined LTV on what value? Using DUS, AUS, or even an "independant value" from an appraiser, even if not inflated, is nothing more than a point in time estimate. In this world of uncertainty, American households need more than a 20% cushion based on likely an inflated value to begin with. Also, home equity withdrawals were a major contributor causing people to walk away from their homes from 2008-2012. If a borrower has already tapped their equity, if a house is no longer an asset but a liability, why not walk away? Exponential risk to the taxpayer.
- 5) Considering the GSEs have been required to remit all excess profits over a small capital buffer to the US Treasury for over a decade, the GSEs are in even worse financial shape to absorb a shock to home values when compared to 2008. The GSEs don't have enough capital to approve this proposal.

As the GSEs safety and soundness regulator, as their guide and mission north star, and as the

role of taxpayer protector, the FHFA must deny Freddie Mac's request on fiscal, financial, regulatory, and moral grounds.

Thank you for your time.