

Freddie Mac Proposed Purchase of Single-Family Closed-End Second Mortgages
Agency/Docket Number: No. 2024-N-5
Comment from David J. Byrd

My name is David J. Byrd, the former Deputy Assistant Secretary of the Office of Policy Development at the U.S. Department of Housing and Urban Development (HUD).

I am writing to oppose the Freddie Mac proposal to allow this Government-Sponsored Entity (GSE) to purchase second mortgages, which will benefit wealthy Americans who already own property but hurt members of the citizenry who are currently struggling with a destabilized housing market.

I share Freddie Mac's desire to make homes affordable for low-income Americans. One of the most rewarding aspects of my tenure with HUD was working with Freddie Mac on this very issue. One of the ways HUD does this today is by offering Freddie Mac a Section 8 financing program, which provides non-recourse loans with generous 10–30-year terms for Low-Income Housing Tax (LIHT) properties, and 5–15-year terms for non-LIHTC properties.

That said, HUD also oversees Freddie Mac's general housing missions, and I believe that this GSE purchasing second mortgages would violate its core mission of making home ownership possibilities for families across the nation.

By increasing the availability of second mortgages, Freddie Mac will inadvertently inflate housing prices, making homeownership even more inaccessible for first-time buyers and lower-income families. Over time, the result could be another housing bubble that causes widespread economic distress.

The homeownership gap between Black and White families already stands near its highest point in 120 years. Rather than expand minority homeownership, lower prices, and help lower-income Americans build generational wealth, this Freddie Mac proposal will just help more affluent Americans who already own one or two homes get a de facto handout from the GSE.

Freddie Mac's mandate is to provide liquidity, stability, and affordability to the housing market. By purchasing second mortgages, the entity would stray from its core mission and potentially destabilize the market for thousands of Americans, especially Americans living in minority communities.

-David J. Byrd, former Deputy Assistant Secretary of the Office of Policy Development at the U.S. Department of Housing and Urban Development; former National Director of the U.S. Department of Commerce's Minority Business Development Agency