

dv01, Inc. (“dv01”) provides a data platform for the structured finance markets, offering analytic tools that bring transparency and intelligence to issuers and investors alike. dv01 takes the position that the FHFA should reject Freddie Mac's proposal to develop a new product entailing the purchase of single-family closed-end second mortgages (the “Proposed Product”).

When government-sponsored enterprises (“GSEs”) were first established, their mission was not only to provide stability to the housing market, but also to make homeownership more accessible to low- and middle-income Americans. As right-minded as that mission was then, it is even more critical today, at a time when first-time buyers are facing extraordinary challenges in terms of housing affordability, with average home prices at all-time highs. The Proposed Product conflicts with Freddie Mac’s important mission. Rather than expanding accessibility to homeownership, the Proposed Product seems only to benefit existing homeowners mainly for cash-out purposes, particularly given the suggested 80% LTV cap. Not only does this result fail to advance Freddie Mac’s original goal to stabilize the housing market, but it also goes a step further, potentially undermining the housing market and supporting existing homeowners, while disadvantaging Americans who are unable to buy a home.

In addition to being contrary to the Federal government’s original intent when establishing GSEs, Freddie Mac’s Proposed Product appears unnecessary, since the second-lien market is currently functioning properly and does not need the assistance the Proposed Product is offering. Borrowers today have many ways to obtain second liens via the private market, with rates substantially lower than those of credit cards. Therefore, homeowners seeking to extract equity through second liens face little to no difficulty at present, obviating the need for the Proposed Product.

Instead of furthering homeownership goals, the Proposed Product would fundamentally upend the existing market, threatening financial institutions both large and small. These companies have developed innovative lending solutions that help potential purchasers and further homeownership. We do not believe that Americans seeking to enter the housing market for the first time will benefit from the Proposed Product.

In addition, American taxpayers have historically been harmed when Freddie Mac takes on additional market risks. If housing prices were to fall meaningfully from their present record highs, taxpayers would likely bear the burden of a Freddie Mac government conservatorship as they did in 2008.

Furthermore, since ensuring second liens would be a fundamental departure from the existing mandate of the GSEs, we believe that such a radical shift should be accomplished through legislative procedures rather than through the RFP acceptance. GSEs were originally established through Congressional action. It follows that the Proposed Product should also be subject to legislative review.

Since the Proposed Product is unnecessary, puts all taxpayers at risk, and, most importantly, strays significantly from the basic principles under which GSEs were originally enacted, which was to facilitate homeownership for all Americans, the FHFA should reject it.

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