



May 22, 2024

Director Sandra L. Thompson
Federal Housing Finance Agency
Constitution Center
400 Seventh Street, SW
Washington, DC 20219

Re: Freddie Mac Proposed Purchase of Single-Family Closed-End Second Mortgages

Dear Director Thompson:

The National Fair Housing Alliance® (NFHA™)¹ appreciates the opportunity to comment on the proposal by the Federal Home Loan Mortgage Corporation (Freddie Mac) to purchase certain single-family closed-end second mortgages as a new product (Proposed New Product).² The Proposed New Product would apply to a 20-year fixed-rate fully-amortizing loan secured by the borrower's primary residence where Freddie Mac holds the first lien, the combined loan-to-value ratio is 80 percent or lower, and the borrower is required to pay off the second lien if they pay off the first lien. We hope our comments below will help inform FHFA's review.

NFHA Supports the Proposed New Product

NFHA supports the Proposed New Product because it:

- Is consistent with Freddie Mac's charter. The charter explicitly states the GSEs can purchase subordinate liens. Congress granted this ability in the 1984 Secondary Market Enhancement Act, which amended Freddie Mac's 1970 charter.³ Further, Freddie Mac and Fannie Mae both purchased second liens before the 2008 financial crisis.
- Will advance Freddie Mac's public purposes.⁴ In this high-rate environment, the Proposed New Product will allow the borrower to retain the low interest rate on the first mortgage while providing liquidity for borrowers to tap into home equity through second lien mortgages. Because the second lien balance is smaller, this approach will allow the

¹ The National Fair Housing Alliance® ("NFHA™") leads the fair housing movement. NFHA works to eliminate housing discrimination and ensure equitable housing opportunities for all people and communities through its education and outreach, member services, public policy, advocacy, housing and community development, tech equity, enforcement, and consulting and compliance programs.

² Federal Housing Finance Agency, *Request for Comment: Freddie Mac Proposed Purchase of Single-Family Closed-End Second Mortgages*, 89 Fed. Reg. 29329 (Apr. 22, 2024), <https://www.govinfo.gov/content/pkg/FR-2024-04-22/pdf/2024-08479.pdf>.

³12 U.S.C. 1451 *et seq.*

⁴12 U.S.C. 1451 note.

borrower to have a smaller monthly payment than if they obtained a cash-out refinancing of the entire balance. This approach serves Freddie Mac's public purpose to:

- Provide stability in the secondary market for residential mortgages;
- Respond appropriately to the private capital market;
- Provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- Promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

NFHA Urges Modifications to the Proposal

To maximize the success of the Proposed New Product, NFHA strongly urges the following modifications to the proposal:

- Make the Proposed New Product available to all Minority Depository Institutions (MDIs). The GSEs record of serving individuals and communities of color is lacking, so limiting the Proposed New Product to Freddie Mac's existing portfolio will necessarily limit the availability to people of color. To fulfill Freddie Mac's purpose of promoting access to mortgage credit throughout the nation, Freddie Mac should make the Proposed New Product available to all MDIs, regardless of whether Freddie Mac holds the first lien. Moreover, Freddie Mac should have a detailed plan for opening the Proposed New Product to all borrowers within a few months of its deployment.
- Provide transparent data regarding race/ethnicity of recipients. FHFA should require Freddie Mac to disclose the race/ethnicity of the borrower and property census tract associated with the Proposed New Product. This approach will enhance transparency, credibility, and insight into the product.⁵

Thank you for considering our views.

Sincerely,

National Fair Housing Alliance

⁵ See Laurie Goodman, Ted Tozer, and Alexei Alexandrov, *Freddie Mac's Second Mortgage Proposal Is Consumer Friendly*, Urban Institute (May 13, 2024) (calling for greater data transparency with respect to borrower and loan characteristics) https://www.urban.org/urban-wire/freddie-macs-second-mortgage-proposal-consumer-friendly?utm_source=urban_newsletters&utm_id=housing&utm_campaign=HFPC.