

From: [Stephen Zavac](#)
To: [#FHFA.REG-COMMENTS](#)
Subject: [EXT] Opposition to Freddie Mac's Closed-End Second Mortgages Proposal: Concerns Regarding Public Interest and Financial Safety
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May 21, 2024 @ 04:10pm

Opposition to Freddie Mac's Closed-End Second Mortgages Proposal: Concerns Regarding Public Interest and Financial Safety

Dear FHFA,

I am writing to express my opposition to Freddie Mac's proposal to purchase closed-end second mortgages. Under the Recovery Act of 2008, the Director of the FHFA is required to ensure that any new product is in the public interest and consistent with the safety and soundness of the enterprise or the mortgage finance system. This proposal fails to meet these criteria for several reasons.

The proposal contains no comprehensive analysis of the potential effects on the safety and soundness of Freddie Mac or the broader mortgage finance system. Given the historical context and the critical role that second mortgages played in the 2008 financial crisis, it is imperative to thoroughly assess any new financial product's risks before approval.

Second mortgages significantly contributed to the financial instability that led to the 2008 crisis. Homeowners took on excessive debt, often becoming underwater when the market downturn occurred. This led to widespread defaults and foreclosures, severely impacting the housing market and the economy.

Freddie Mac remains in government conservatorship with insufficient capital on its balance sheet to absorb potential losses from this new product. Introducing a product that increases exposure to risk without adequate capital reserves is irresponsible and jeopardizes the enterprise's financial stability.

Given these concerns, I urge the FHFA to withdraw and reject Freddie Mac's proposal to purchase closed-end second mortgages. Approving this product without a thorough analysis and consideration of its potential impacts is reckless and contrary to the principles of sound financial management and public interest.

Lack of Analysis on Safety and Soundness:

The proposal contains no comprehensive analysis of the potential effects on the safety and soundness of Freddie Mac or the broader mortgage finance system. Given the historical context and the critical role that second mortgages played in the 2008 financial crisis, it is imperative to thoroughly assess any new financial product's risks before approval.

Historical Context of Second Mortgages:

Second mortgages significantly contributed to the financial instability that led to the 2008 crisis. Homeowners took on excessive debt, often becoming underwater when the market downturn occurred. This led to widespread defaults and foreclosures, severely impacting the housing market and the economy.

Insufficient Capital Reserves:

Freddie Mac remains in government conservatorship with insufficient capital on its balance sheet to absorb potential losses from this new product. Introducing a product that increases exposure to risk without adequate capital reserves is irresponsible and jeopardizes the enterprise's financial stability.

Given these concerns, I urge the FHFA to withdraw and reject Freddie Mac's proposal to purchase closed-end second mortgages. Approving this product without a thorough analysis and consideration of its potential impacts is reckless and contrary to the principles of sound financial management and public interest.

Sincerely,
Mr. Stephen Zayac
11786 Harbour Light Dr,
North Royalton, OH 44133
sjzayac@breezelineohio.net
440-582-1729