

**From:** [James Mark](#)  
**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 @ 05:40pm

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. This proposal is financially reckless, given the current capital insufficiencies of the GSEs, and it poses significant risks due to the volatility of loan-to-value (LTV) ratios.

Insufficient Capital Reserves:

The Government-Sponsored Enterprises (GSEs) currently lack sufficient capital to back these new loans. They are already dangerously low on capital to support their existing "book of business." Introducing additional risk through closed-end second mortgages without adequate capital reserves is irresponsible. Should the housing market experience a downturn, the GSEs would be ill-equipped to absorb the resulting losses, potentially leading to a need for another taxpayer-funded bailout.

Volatility of LTV Ratios:

The proposed 80% LTV ratio is a moving target that can change drastically with the business cycle. History has shown us the dangers of relying on fixed LTV ratios during periods of economic instability:

2005-2007: During this period, the 80/20 LTV ratio appeared to work, as housing prices were steadily increasing. However, this sense of security was misleading and short-lived.

2008 and Beyond: When the housing market collapsed, the 80/20 LTV ratio became untenable. Many homeowners found themselves underwater, owing more on their mortgages than their homes were worth. This led to a wave of foreclosures and financial ruin for countless families.

Allowing Freddie Mac to engage in purchasing closed-end second mortgages under the assumption that an 80% LTV ratio will protect against risk is fundamentally flawed. The market can change rapidly, and when it does, these ratios can become meaningless, leaving homeowners and the broader financial system exposed to significant risk.

Reckless Timing:

Considering the current economic climate and the precarious financial position of the GSEs, now is not the time to introduce additional risk into the housing finance system. We must learn from the past and avoid repeating the mistakes that led to the 2008 financial crisis.

In light of these concerns, I strongly urge the FHFA to reject Freddie Mac's proposal to purchase closed-end second mortgages. Our priority should be to ensure the stability and resilience of the housing market and protect taxpayers from unnecessary financial risk.

Sincerely,  
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