

**From:** [Michael Tregoning](#)  
**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 @ 09:20pm

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 concerns regarding Freddie Mac's proposal to purchase closed-end second mortgages. One of the most troubling aspects of this policy is its potential impact on inflation control, which could severely complicate the Federal Reserve's efforts to reduce inflation to its 2% target.

A recent column in the Financial Times estimated that this policy could release up to \$3 trillion into the economy. Introducing such a vast amount of liquidity at this time poses significant risks:

**Increased Inflationary Pressures:** Releasing up to \$3 trillion into the economy could drive inflation higher, making it more challenging for the Federal Reserve to achieve its 2% inflation target. This influx of funds would increase consumer spending power, leading to greater demand for goods and services. In an already inflationary environment, this could exacerbate price increases across the board.

**Complicating Monetary Policy:** The Federal Reserve is currently engaged in efforts to tighten monetary policy and reduce inflation. Introducing a large amount of new liquidity through Freddie Mac's purchase of second mortgages would directly counter these efforts. The Fed would need to take even more aggressive measures to offset this stimulus, potentially leading to higher interest rates and more economic volatility.

**Economic Instability:** Sudden, large-scale increases in liquidity can lead to economic imbalances. The rapid injection of funds could create asset bubbles in the housing market and other sectors, increasing the risk of financial instability and future economic downturns.

**Undermining Long-Term Financial Stability:** Policies that introduce significant liquidity into the economy without addressing underlying structural issues can undermine long-term financial stability. Instead of fostering sustainable growth, such measures may lead to short-term gains followed by long-term economic pain as the market adjusts to the new conditions.

It is essential to consider the broader economic context when evaluating this proposal. The Federal Reserve has been working diligently to bring inflation under control, a task that requires careful management of monetary policy. Introducing a policy that could release \$3 trillion into the economy at this juncture would undermine these efforts and potentially lead to

more severe economic consequences.

In light of these concerns, I urge the FHFA to reject Freddie Mac's proposal to purchase closed-end second mortgages. We must prioritize policies that support long-term economic stability and assist the Federal Reserve in its mission to maintain stable prices.

Sincerely,  
Mr. Michael Tregoning  
396 S. COLUMBIA AVE.,  
Oglesby, IL 61348  
eatmalive2@gmail.com  
815-830-1265