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April 21, 2021

The Honorable Janet L. Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Ave, NW  
Washington, DC 20220

The Honorable Mark A. Calabria  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219

Dear Secretary Yellen and Director Calabria:

Thank you for your leadership especially during these trying times of the COVID-19 crisis. As you know, the Association of Independent Mortgage Experts (AIME), a not-for-profit national trade association created for independent mortgage brokers, plays a critical role in enabling middle class, low-and moderate-income homeowners, including minority and rural households, veterans, and many in underserved communities to purchase homes and refinance mortgages.

We are writing to express our concerns about the recent announcements by Fannie Mae and Freddie Mac that beginning July 1, 2021, where they will only purchase loans that meet the newly defined Qualified Mortgage (QM) standards in order to comply with the revised preferred stock purchase agreement (PSPA) between FHFA and the Department of the Treasury. We are concerned this could narrow the credit box, making it harder for many families, especially those with lower incomes, purchasing a home or taking advantage of low-interest rates to refinance their home.

The GSEs stated that they will stop purchasing mortgages under the GSE patch beginning July 1, when it is set to expire under the newly defined QM standard. The CFPB has proposed extending the patch until October 1, 2022, to allow more time for the transition to the new standard and provide support to the market during the ongoing COVID crisis. Yet according to the GSEs'

announcement, the PSPAs prevent them from buying loans under the patch after July 1, apparently regardless of what the CFPB does. Moreover, as you know, the new QM standard replaces a DTI-based QM requirement with an average prime offer rate (APOR) requirement.

Our questions are: What impact will this have on the GSEs purchases, particularly of loans for low- and moderate-income families, first-time homebuyers, and underserved borrowers? Will the GSEs be able to continue purchasing loans with higher DTI ratios that are within the new APOR-based pricing limits? If this restriction is put in place, AIME believes this could have a possible negative impact on many borrowers.

Similarly, will complying with the PSPA requirements require other changes to the GSEs' underwriting standards or automated underwriting systems (AUS) approval criteria that could further narrow the credit boxes? Once again, AIME believes this could have a possible negative impact on many borrowers. We believe some flexibility was explicit under the PSPA to allow the GSEs to grant "exceptions as the Agency may prescribe to permit Seller to acquire Single-Family Mortgage Loans that were eligible for acquisition as of January 14, 2021." Currently, the GSEs do purchase rebuttable presumption loans. It was always the intent of Dodd/Frank and the CFPB to include these loans as QM loans that would be an important part of mortgage lending. We would hope the GSEs would still be able to purchase these loans rather than drive them to lenders whose rates are several percent higher.

In an effort to promote and enable these communities to achieve their dreams of homeownership, we believe that it is important to provide them loans with the lowest interest rates and fees. We believe that this can be achieved by market flexibility if the GSEs continue to purchase all loans that were within the guidelines of the GSE patch and are priced to comply with the new APOR QM requirements. We are concerned that any actions that may eliminate the GSE patch or any other action that may narrow underwriting or the AUS approval criteria for GSE loans could narrow the credit box and flexibility for these communities.

We believe underserved communities should not have fewer options with higher rates and loan costs. Rather it is our hope and recommendation that more loans will be kept eligible for QM status and that the FHFA will allow all of these methods to achieve QM status and be eligible to be purchased by the GSEs. Thus, ultimately providing current and future homeowners with quality mortgage options.

One other area where an exception would be entirely appropriate is for single-family rentals. Limiting the number of investment properties that can be purchased by the GSEs has already increased the cost of these loans by thousands of dollars. Increased costs to landlords will be passed directly to renters. A non-GSE investment property mortgage generally bears an interest rate 3 to 4% higher than a GSE loan. Currently, that doubles the interest rate and radically increases the cost of housing for nearly a third of Americans. A higher percentage of those who rent are minorities who have had difficulty becoming homeowners.

We believe these recommendations are in complete alignment with the stated goals of the current Administration and Congress.

Thank you for your consideration of our views and we look forward to working with you and your team to help everyone achieve the American dream of homeownership.

Sincerely,

A handwritten signature in black ink that reads "Marc Summers". The signature is written in a cursive, flowing style.

Marc Summers, President  
Association of Independent Mortgage Experts

CC: Mr. Hugh Frater, CEO, Fannie Mae  
Mr. Mark Grier Interim CEO, Freddie Mac