

July 30, 2021

Michael R. Drayne
Acting Executive Vice President
Ginnie Mae
425 3rd Street, SW, Suite 500
Washington, DC 20024

Re: Request for Input (RFI) Eligibility Requirements for Single-Family MBS Issuers – Topic 2

Dear Acting Executive Vice President Drayne:

The Association of Independent Mortgage Experts (AIME),¹ appreciates the opportunity to provide Ginnie Mae the perspective of our members on its Request for Input (RFI) regarding eligibility requirements for single-family mortgage-backed security (MBS) issuers.² AIME also appreciates the proactive engagement by Ginnie Mae in soliciting industry feedback on this important matter. Based on how the proposal is currently drafted, we would respectfully request the proposal be withdrawn or that it be re-drafted to eliminate the risk-based capital requirement and unsupported weighting on mortgage serving rights. AIME believes these proposed changes will negatively impact the ability of non-bank lenders and small issuers to compete with bank lenders, thereby contracting the mortgage lending market and making it more difficult for all Americans to have the opportunity to purchase a home.

AIME believes that non-bank lenders and smaller issuers are essential to maintaining a robust and inclusive mortgage lending market. A risk-based capital requirement will make it more difficult if not impossible for these entities to continue to make competitive, low interest rate loans often to minority and low-income community home buyers who do not have a perfect credit score by limiting their ability to purchase a home. We believe that a risk-based capital requirement will be counterproductive to the goal of enabling home ownership in these communities and AIME is not alone in its concern. Both the Urban Institute and The Greenlining Organization have pointed out that these local, regional, and non-bank lenders fulfill a critical role and have been better able to serve minority communities in the past. The Urban Institute discovered that non-banks provide more loans to borrowers who have a lower FICO score and

¹ 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.

² Ginnie Mae, "Request for Input: Eligibility Requirements for Single-Family MBS Issuers," July 9, 2021. https://www.ginniemae.gov/newsroom/publications/Documents/Financial%20Requirements%20RFI_v2.pdf

those who are considered to be underserved.³ The Greenlining Organization noted that African Americans, Asians, and Latinos were more likely to receive a loan from a non-bank lender and that non-bank lenders originate twice as many loans to low-income borrowers.⁴ Requiring banks, non-bank lenders and smaller issuers to meet the same capital standards will reduce competition for loans to these types of borrowers.

The proposal puts a risk weighting premium of 250% on mortgage servicing rights. The proposal thus assumes that mortgage servicing rights are 5 times riskier than other loans held for sale. Based on our reading of the proposal there is no rationale for this increased premium on servicing rights. In addition, this proposal as drafted, could have a possible negative impact on FHA loans. Currently, 19 out of 20 FHA lenders are non-banks, according to Inside Mortgage Finance, a leading industry research group. FHA loans are a leading source of mortgages for first-time buyers and those in minority communities. The Ginnie Mae servicers who currently provide a high percentage of FHA loans could be eliminated under this proposal thus resulting in a destabilized FHA market.

AIME also believes that the risk to the government's unconditional guarantee will not be significantly impacted by maintaining Ginnie Mae's current position not to have a risk-based capital requirement for mortgage lenders. Whereas the alternative is a result that is likely to produce fewer issuers, less consumer choice, and higher mortgage rates for minority and lower income communities.

We believe AIME's recommendations are in complete alignment with the stated policy goals of the current Administration and Congress. Again, we respectfully request that the proposal be withdrawn or that it be re-drafted to eliminate the risk-based capital requirement and reconsider the weighting on mortgage servicing rights because this proposal is unnecessary and counterproductive to our shared goal which is to create and maintain a housing finance system that enables all Americans to fulfill their dream of owning a home.

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 fluid and cursive, with the first letters of "M" and "S" being significantly larger and more stylized than the rest of the letters.

Marc Summers, President
Association of Independent Mortgage Experts

³ https://www.urban.org/sites/default/files/publication/92941/aug_chartbook_final_ss_1.pdf

⁴ <https://greenlining.org/publications/2020/home-lending-to-communities-of-color-in-california/>