The Honorable Bill Pulte
Director
Federal Housing Finance Agency
400 7th Street, S.W.
Washington, D.C. 20219

Dear Director Pulte,

On behalf of the National Association of Mortgage Brokers (NAMB), we appreciate your call for ideas to expand the scope and effectiveness of Fannie Mae and Freddie Mac in today's evolving housing market. As an association dedicated to advancing access to affordable homeownership and supporting small business mortgage professionals nationwide, we respectfully submit the following recommendations for your consideration. These proposals aim to increase access, affordability, and fairness in mortgage lending, especially during a time of persistent inventory shortages and economic uncertainty.

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1. Removal of Loan-Level Price Adjustments (LLPAs) on Investment Properties and Second Homes

Loan-Level Price Adjustments (LLPAs) on second homes and investment properties create unnecessary barriers to entry for well-qualified borrowers, particularly middle-income families seeking to expand their financial security through homeownership. By significantly increasing the cost of financing, these adjustments discourage responsible buyers from purchasing second homes that may serve as future retirement residences, multi-generational living spaces, or steppingstones to long-term wealth creation.

Originally introduced to account for additional credit risk, many of the pandemic-era LLPA increases were not based on updated risk metrics. In fact, data has shown that loans secured by second homes or investment properties often have strong credit profiles and lower-than-expected delinquency rates. The broad application of LLPAs, therefore, distorts the principles of risk-based pricing and disproportionately impacts creditworthy borrowers.

Removing, or at the very least, reducing these fees would increase accessibility and affordability, encouraging broader participation in property ownership. It would also reduce the incentive for borrowers to seek out costlier, unregulated financing alternatives in the private market. Instead, they could benefit from the safety, stability, and oversight of the conventional GSE lending system.

Eliminating LLPAs on these property types would have several important benefits:

- **Increased Homeownership Opportunities:** Lower borrowing costs would enable more families to purchase second homes, supporting life transitions, retirement planning, and intergenerational housing needs.
- **Stronger Secondary Market Liquidity:** Redirecting these loans into GSE channels would improve capital flow and market efficiency.
- **Greater Policy Alignment:** This change would reflect FHFA's broader commitment to housing affordability and equitable access to credit.

Ultimately, reducing or eliminating LLPAs would support sustainable homeownership and expand access to safe, regulated mortgage financing for more Americans—goals that align closely with FHFA's stated priorities.

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2. Increase the Area Median Income (AMI) Threshold from 80% to 100% for HomeReady and Home Possible Loans

Raising the Area Median Income (AMI) eligibility cap from 80% to 100% for HomeReady and Home Possible loans is a critical policy step toward expanding access to affordable home financing for a broader segment of working-class Americans. The current 80% cap, while well-intentioned, inadvertently excludes many moderate-income households—especially in high-cost or rapidly growing markets—who earn slightly above the limit but still face substantial housing affordability challenges.

Over the last decade, inflation, rising home prices, and stagnant wage growth have significantly altered the economic landscape. In 2023, more than 60% of U.S. households reported living paycheck to paycheck, a clear indicator that traditional income eligibility limits no longer reflect modern financial realities. Individuals earning just above 80% of AMI—such as teachers, healthcare workers, and first responders—are often left without access to the reduced down payments and lower mortgage insurance premiums offered by these programs, despite being financially responsible and stable.

Modernizing this threshold to 100% AMI would offer several key benefits:

- **Expanded Access to Affordable Loans:** Increasing the cap would allow more working families to benefit from the favorable terms provided by HomeReady and

Home Possible, helping them achieve homeownership in communities where they live and work.

- **Encourages Sustainable Homeownership:** These programs include built-in support like homebuyer education, low down payments, and reduced mortgage insurance—components that help borrowers succeed over the long term and reduce default risk.
- **Strengthens Communities:** Moderate-income homeowners contribute to greater neighborhood stability, civic participation, and local economic vitality.

Adjusting the AMI cap is a timely, data-driven, and equitable move that better aligns federal policy with current market dynamics. It ensures that access to affordable credit grows alongside the changing economic needs of America's families—furthering FHFA's mission to foster housing affordability and opportunity.

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3. Shorten the GSE Refinancing Rule from 12 Months to 6 Months

Shortening the GSE refinancing seasoning rule from 12 months to 6 months is a practical and timely policy adjustment that would significantly enhance borrower flexibility and promote financial stability—especially in today's volatile interest rate environment.

Under the current rule, homeowners must wait a full year after closing before refinancing, even when market conditions shift in their favor. This delay prevents borrowers from securing lower rates or improved loan terms, potentially costing them thousands of dollars in unnecessary interest and keeping monthly payments higher than necessary. For many—especially first-time buyers or borrowers recovering from previous credit challenges—this inflexible timeline limits their ability to improve affordability or tap equity for home repairs or emergencies.

In a market where interest rates and home values can shift quickly, a six-month window would provide the agility borrowers need to act on positive economic trends. Programs like FHA and VA already permit refinancing in as little as six to seven months, and aligning GSE policy with these standards would create a more cohesive and competitive mortgage landscape.

Key Benefits of a 6-Month Refinancing Window:

- **Greater Financial Flexibility:** Homeowners could take advantage of falling rates or improved credit scores sooner, strengthening household budgets and financial resilience.

- **Supports Housing Market Liquidity:** Accelerated refinancing keeps the mortgage pipeline active, benefiting lenders, servicers, and the broader secondary market.
- **Enhanced Affordability:** Lowering monthly mortgage obligations sooner reduces financial strain, particularly for low-to-moderate income borrowers, and may help prevent delinquencies.
- **Policy Consistency:** Aligning GSE rules with FHA and VA standards enhances transparency and equity across lending programs, improving consumer experience.

Modernizing the refinance seasoning requirement is a common-sense step that reflects today's fast-moving housing market and puts more financial control in the hands of homeowners—while still upholding responsible lending standards.

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4. Address the Rapid Escalation in Credit Report Costs

Credit reporting expenses have surged in recent years, with some tri-merge credit reports now costing lenders over $100 per applicant—more than double what they were just a few years ago. These unchecked increases often lack clear justification, occur without regulatory oversight, and ultimately present a growing burden on both lenders and consumers.

This unsustainable cost trajectory disproportionately affects smaller lenders, independent mortgage brokers, and low-to-moderate income borrowers. For many first-time homebuyers or those with limited savings, higher upfront costs make accessing homeownership even more difficult. Moreover, when lenders are forced to absorb or pass along these increased expenses, they may restrict access to credit or limit the number of applicants they serve to manage overhead—thereby reducing consumer choice and stifling market participation.

The concentration of power among a few dominant credit reporting agencies has further exacerbated the issue. With minimal competition and limited pricing transparency, these providers wield disproportionate influence over costs and offer little accountability for sudden or steep fee hikes.

Key Benefits of Addressing the Issue:

- **Improved Affordability:** Stabilizing or lowering credit report costs reduces upfront borrower expenses at a crucial early stage in the loan process, improving access to credit for a wider range of applicants.

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- **Promotes Fair Competition:** Oversight and transparency in pricing would level the playing field for smaller and mid-sized lenders, allowing them to remain competitive in today's market.
- **Encourages Innovation:** Regulatory engagement could foster the development of alternative, tech-driven credit assessment models that are more equitable, efficient, and cost-effective.
- **Supports Sustainable Homeownership:** By curbing unnecessary fees, more consumers—especially those in underserved communities—can pursue and sustain homeownership without added financial strain.

We urge FHFA to collaborate with stakeholders across the lending and credit reporting sectors to ensure a fair, transparent, and competitive system. Reining in unchecked credit reporting fees is a necessary and timely step to protect consumers, promote responsible lending, and preserve the integrity of the home financing process.

The mortgage landscape is evolving, and our collective policy approach must evolve with it. These recommendations represent strategic, actionable ways to make homeownership more accessible while supporting both borrower stability and long-term housing supply. We appreciate your commitment to innovation and equity at the GSEs, and we stand ready to assist in further developing these ideas in collaboration with your team.

Sincerely,

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