

FHFA REFINANCE FEE

INDUSTRY FAILS TO SEE LOGIC IN NEW FEE

Industry experts speak out about new refinance fee.

By Tracey C. Velt

On August 13, the Federal Housing Finance Agency announced it was implementing a 1.5% fee on the loan amount for the majority of Fannie Mae and Freddie Mac refinance loans. This did not sit well with the housing industry, for obvious reasons. Due to this pushback, the fee, which was set to begin Sept. 1, is now delayed to Dec. 1. Also, borrowers with loan balances below \$125,000 will be spared the fee. We pulled some of the industry takes on this refinance fee:

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“[The] announcement by the GSEs (government-sponsored enterprise) flies in the face of the administration’s recent executive actions urging federal agencies to take all measures within their authorities to support struggling homeowners. Requiring Fannie Mae and Freddie Mac to charge a 0.5% fee on refinance mortgages they purchase will raise interest rates on families trying to make ends meet in these challenging times. This means the average consumer

will be paying \$1,400 more than they otherwise would have paid. Even worse, the September 1 effective date means that thousands of borrowers who did not lock in their rates could face unanticipated cost increases just days from closing.

“The housing market has been able to withstand many of the most severe effects of the COVID-19 pandemic. The recent refinance activity has not only helped homeowners lower their monthly payments, but it is also reducing risk to the GSEs and taxpayers. At a time when the Federal Reserve is purchasing \$40 billion in agency MBS (mortgage-backed securities) per month to help reduce financing costs for mortgage borrowers to support the broader economy, this action raises those costs and undermines the Federal Reserve’s policy.

“This announcement is bad for our nation’s homeowners and the nascent economic recovery. We strongly urge FHFA, which had to approve this policy, to withdraw this ill-timed, misguided directive.”

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The Federal Housing Finance Agency has announced a new mortgage refinancing fee that could cost homeowners about \$1,500 extra on a \$300,000 loan. The fee is the absolute wrong policy at the wrong time. It directly contravenes the administration’s own directives for federal agencies to do no harm to homeowners during the coronavirus crisis. It is especially troubling since the GSEs use their profits from refinances to support homebuyers in underserved markets—meaning those communities already suffering the most will be harmed the most by this action. Home values and residential real estate are a rock for the American economy right now. We should do everything we can to lower costs for households during this crisis, not make homeownership more expensive.”

It would appear that the FHFA is trying to slow down the current mortgage refinance market. Time will tell.

To read the original memo, [CLICK HERE](#) ▶

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