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USMI Submits Comment Letter to FHFA on G-Fees

Full Recognition of MI Benefits Needed to Avoid Double Charging Consumers

USMI today submitted its response to the Federal Housing Finance Agency (FHFA) request for input (RFI) regarding the guarantee fees (g-fees) that Freddie Mac and Fannie Mae charge to lenders. The RFI follows FHFA's suspension in January 2014 of proposed increases to g-fees. USMI comments focused on the following key issues:

- **The g-fee framework should fully take into account MI's risk-reducing benefits in order to minimize costs to borrowers.** While the framework for calculating g-fees in the RFI is intended to price actual credit risk, USMI believes it fails to fully take into account the risk-reducing benefits of private mortgage insurance ("MI"). As a result, consumers are charged twice for the same credit risk mitigation. This disproportionately disadvantages low- and moderate-income and first time homebuyers. MI is a well accepted and well regarded form of credit enhancement that has made homeownership possible for millions of people who otherwise would not have qualified for mortgage loans. Full recognition of MI should reduce the cost of mortgages with MI, and create stronger incentives for credit risk to be served by private capital in a competitive market.
- **Increased transparency of the models used to compute g-fees is needed by market participants.** USMI strongly believes that there should be significantly greater transparency with respect to the models (the analytical framework, its assumptions, and its inputs) that are used for pricing and to compute g-fees because these models have an extraordinary impact on the U.S. housing market. Disclosing the specific parameters of the models used and soliciting public input regarding the parameters would be a helpful first step.
- **G-fees should not be increased to attempt to "crowd in" private capital.** Private label securities historically have been an unreliable source of liquidity in times of economic stress. In addition, increasing g-fees in this manner would result in increased costs to borrowers and potentially other unintended consequences. In the absence of a mandate to use g-fees to attempt to crowd in private capital, there is no justification for such increased costs or other unintended consequences. As such, FHFA should formally withdraw the proposed g-fee increases announced on December 9, 2013.

The full USMI comment letter is available [here](#)

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About USMI

U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system backed by private capital that enables access to housing finance for borrowers while protecting taxpayers. Mortgage insurance (MI) offers an effective way to make mortgage credit available to more people. USMI is ready to help build the future of homeownership.
