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NCRC
OPENING DOORS TO ECONOMIC OPPORTUNITY

December 9, 2015

The Honorable Melvin Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20020

Dear Director Watt,

I am writing on behalf of the National Community Reinvestment Coalition (NCRC) to offer our views on two issues the agency is considering as it develops priorities and objectives for the 2016 Scorecard: standing up Common Securitization Solutions (CSS) with its own corporate functions and the level of guarantee fees.

At the outset, I want to recognize that you have taken important steps forward as Director to place the Enterprises on a path to provide more access and more affordable mortgage credit for all creditworthy borrowers. Your predecessor as Conservator for Fannie Mae and Freddie Mac had staked out positions on guarantee fees and other issues that clearly undercut access to affordable mortgage credit. Given how tight mortgage credit remains, however, as well as the historically low homeownership rate overall and particularly for minority borrowers, we urge FHFA to set new objectives and undertake new initiatives to increase access to affordable mortgage credit, and particularly for low- and moderate income communities and minority borrowers.

CSS and the Common Securitization Platform

On September 15th, FHFA announced an update to the Common Securitization Platform (CSP) that included plans by Common Securitization Solutions (CSS) to "stand up its own corporate functions, including a human resources and benefits platform and financial systems, in the first half of 2016." We urge FHFA to delay that decision until a greater dialogue can be had with stakeholders about this particular corporate reorganization and any impact it might have on various charter provisions including the affirmative obligations on Fannie Mae and Freddie Mac to facilitate the financing of affordable housing, and specifically their affordable housing goals.

We know that many of the important updates that FHFA is making to the securitization infrastructure of the Enterprises will benefit Fannie Mae and Freddie Mac in the long run. We also recognize, however, that the platform now being built at great expense to both Enterprises, even as they are in conservatorship, may very well be used by multiple non-Enterprise issuers. The CSP is envisioned to play a central role in the mortgage securitization process of any new, reformed or rebuilt secondary mortgage market. Before CSS takes this next step to become an entity more independent from the Enterprises and, perhaps, the statutory obligations they have, we believe it is appropriate to ask and have explained exactly what this corporate reorganization will mean and how those accessing and utilizing the CSP will be bound by the affirmative obligations the Enterprises have to serve traditionally underserved borrowers and markets.

Guarantee Fees and the Credit Risk Transfer Program

As you know, we remain concerned about the continuing high level of guarantee fees and the impact those fees are having on low- and moderate income borrowers. I have recently been made aware of legislative and other efforts to encourage the Enterprises to include more front end risk sharing among the credit risk transfer transactions that the Enterprises are undertaking. A recently released Milliman Inc. report entitled, *Analysis of Deep Coverage Mortgage Insurance*, suggests that deeper mortgage insurance could reduce costs to borrowers by as much as 15 basis points. We urge you to review closely "deeper coverage private mortgage insurance" and if the agency finds that it could be executed in a way that would result in a cost reduction for borrowers, then consider including it among the credit risk transfer options that the Enterprises are pursuing.

Thank you for considering our views as your develop priorities and objectives for FHFA's 2016 Scorecard.

Sincerely,

John Taylor
President & CEO
National Community Reinvestment Coalition