

SENATE RESOLUTION NO. 56

Senators Hoitenga, Runestad, Theis and Johnson offered the following resolution:

1 A resolution to strongly condemn the May 2023 changes to the
2 upfront fees on home mortgages charged by Fannie Mae and Freddie
3 Mac under the direction of the Federal Housing Finance Agency.

4 Whereas, The Federal Housing Finance Agency (FHFA) is
5 responsible for the oversight and regulation of the Federal
6 National Mortgage Association (Fannie Mae) and the Federal Home
7 Loan Mortgage Corporation (Freddie Mac), collectively known as the
8 Enterprises. The Enterprises are charged with facilitating
9 responsible access to mortgages, which they accomplish by
10 guaranteeing borrowers' mortgage payments, a practice that
11 ultimately reduces interest rates on home loans. To cover the risk
12 of borrowers defaulting on a mortgage, the Enterprises charge fees,

1 including upfront fees that vary based on the borrower's credit
2 score and the down payment made on the loan; and

3 Whereas, On January 19, 2023, the FHFA announced changes to
4 the upfront fees that the Enterprises charge on mortgages sought to
5 finance the purchase of a home, effective May 1, 2023. Comparing
6 the fee matrices of Freddie Mac before and after this change, two
7 general trends are revealed. First, there were sharp decreases in
8 upfront fees charged to those who make very small down payments of
9 less than 5 percent of the value of the home. In some cases, these
10 fees have decreased by as much as 2 percent. Second, these fees
11 were redistributed, so that upfront fees generally increased for
12 those with better credit scores and decreased for those with poorer
13 credit scores. Paradoxically, those with strong demonstrated
14 financial track records are punished with increased fees, while
15 those with lower credit scores will now pay considerably less; and

16 Whereas, The May 2023 changes to the Enterprises' upfront fees
17 favor riskier borrowers at the expense of those who are more
18 financially stable, a policy shift that could decrease the security
19 and safety of the housing market. The FHFA should not adopt
20 policies that diminish the incentives for responsible budgeting and
21 long-term planning by those pursuing the dream of home ownership.
22 Rather, the FHFA should honor the Enterprises' mission to
23 facilitate responsible access to mortgages by distributing fees in
24 a way that appropriately incentivizes responsibility; and

25 Whereas, Increasing upfront mortgage fees for financially
26 responsible homebuyers is actively harmful to many Michiganders.
27 The housing market in Michigan is already highly competitive, with
28 insufficient supply to meet demand, making it difficult for our
29 residents to purchase homes, even after years of planning. As

1 inflation eats away at Michiganders' earnings and savings, hiking
2 up the fees paid by many homebuyers has only exacerbated these
3 economic hardships, adding to the worries of Michigan's middle
4 class; now, therefore, be it

5 Resolved by the Senate, That we strongly condemn the May 2023
6 changes to the upfront fees on home mortgages charged by Fannie Mae
7 and Freddie Mac under the direction of the Federal Housing Finance
8 Agency; and be it further

9 Resolved, That copies of this resolution be transmitted to the
10 Director of the Federal Housing Finance Agency.