

Fannie Mae and Freddie Mac Announce New Adverse Market Refinance Fee

On Wednesday, August 12, the Federal Housing Finance Agency (“FHFA”) announced that Fannie Mae and Freddie Mac (collectively the “GSEs”) will impose a 50-basis-point adverse market fee on refinance loans purchased by the GSEs. Effective for loans purchased by the agencies on or after September 1, 2020, the Adverse Market Refinance Fee (“AMRF”) will be assessed on cash-out and no cash-out refinances, with the exception of some construction-to-permanent mortgages. The new fee is purportedly intended to offset the risk and expenses incurred by the GSEs as a result of the COVID-19 pandemic.

Read the announcements to Fannie Mae and Freddie Mac Sellers.

Fannie Mae Lender Letter LL-2020

<https://singlefamily.fanniemae.com/news-events/lender-letter-ll-2020-12-new-adverse-market-refinance-fee>

Freddie Mac Bulletin 2020-32

https://guide.freddiemac.com/app/guide/content/a_id/1003972

The new directive from the GSEs has drawn widespread criticism from within the mortgage industry, where observers have noted the adverse implications the fee will have on both consumers and lenders. Industry experts estimate that the average borrower will pay \$1,400 more to refinance their home once the AMRF is effective and borrowers who borrow the full Fannie Mae/Freddie Mac loan limit will incur over \$2,500 in additional fees. The additional borrowing expense will significantly reduce the benefit to consumers in refinancing. Further, as the largest buyer of mortgage backed securities, the Federal Reserve has been purchasing \$40 billion per month as part of its efforts to keep overall borrowing costs low and to spur economic growth. The new fee arguably undermines these efforts and will likely be a hindrance for homeowners looking to reduce their monthly mortgage payments by refinancing.

Mortgage lenders are also positioned to be severely impacted by the AMRF. Lenders with locked loans in their pipeline with expiration dates after September 1, 2020 may be forced to absorb the 50-basis-points fee if the loan cannot be closed and delivered before the September 1 effective date for the new fee. For larger lenders, this surprise change could amount to tens of millions of dollars for an unanticipated cost that must now be absorbed. The potential negative implications for both consumers and mortgage lenders, have caused trade organizations and public interest groups to call on the FHFA to reverse the fee or at least to delay its implementation.

The Mortgage Bankers Association’s grassroots advocacy arm, the Mortgage Action Alliance, has issued a “Call to Action” urging its members to contact their members of Congress and the FHFA to withdraw the directive. You can access the Mortgage Action Alliance Action Center here, which contains an easy way to submit a prepared industry-specific letter to your members of Congress and your senators by simply entering very basic contact information, such as your name, address and zip code. <https://www.votervoicenet/MBA/Campaigns/76617/Respond>

If this is an issue you care about, we encourage you to get involved.