



Senate Financial Institutions and Technology Committee

Sponsor Testimony – SR 115

Senator Andrew Brenner and Senator Steve Wilson

May 9, 2023

Senator Brenner:

Vice Chair Hackett, Ranking Member Smith, thank you for the opportunity to provide sponsor testimony on Senate Resolution 115 – to urge the President to rescind new federal LLPAs for housing loans.

On May 1st, a new rule went into effect from the Federal Housing Finance Agency to Fannie Mae and Freddie Mac, which causes increases in mortgage fees for borrowers with stronger credit while lowering fees for higher-risk borrowers. The increase will be applied to upfront fees paid by some homebuyers known as loan level pricing adjustments (LLPAs). For instance, a borrower with a 730-credit score and 17% down payment will see their annual mortgage rate jump by 15 basis points, or the difference between 6% and 6.15%. This group is a significant segment of the Fannie Mae and Freddie Mac portfolio, and represents both trade-up borrowers and middle-class Americans. These borrowers face the same surge in financing costs as entry level homebuyers experienced over the last year.

Senator Wilson:

As we look at public policy options to increase rates of home-ownership and help new homeowners enter the market, we must ensure that we do not fall into the kind of reckless subsidization that plagued the housing market in recent decades. Homeowners today are already facing the highest inflation rate in more than four decades. Now is not the time for fee increases on homebuyers. This federal rule will reward higher-risk borrowers at the expense of individuals who in many cases have spent their lives building or rebuilding their credit. Such a move will not increase home ownership, it will increase home foreclosures. The lessons learned from the subprime mortgage crisis must not be ignored for the sake of ineffective and performative policymaking.

Thank you again for the opportunity to testify. Senator Brenner and I stand ready to answer any questions or concerns the Committee may have.