

# United States Senate

WASHINGTON, DC 20510

April 26, 2023

Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20024

Dear Director Thompson,

We write to you today to express our continued concerns with recent Federal Housing Finance Agency (FHFA) proposals that would clearly undermine safety and soundness in the U.S. housing sector. Specifically, on January 19, 2023, FHFA announced via press release<sup>1</sup> its intent to re-write the single-family pricing framework for the government-sponsored entities (GSEs) Fannie Mae and Freddie Mac. This announcement, scheduled to take effect May 1, 2023, will invert the common-sense risk financing structure at the GSEs in an effort to decrease mortgage rates for riskier individuals with low credit scores and forcibly raise rates for those with higher scores. This shortsighted and counterproductive policy demonstrates a profound misunderstanding of the necessity of accurately tailoring housing finance products to credit risk and establishes a perverse incentive that punishes hardworking Americans for their fiscal prudence.

Under your leadership, FHFA has pushed forward a number of policy proposals and changes that seek to social-engineer the U.S. housing market in ways that increase riskiness and promote discrimination. The Equitable Housing Finance Plans<sup>2</sup> developed by the GSEs under the direction of FHFA sought to create a class of housing subsidies based on the color of one's skin, despite the clear unconstitutionality of this concept. Now, FHFA seems intent to go further and enshrine a system that willfully-ignores the realities of creditworthiness in an effort to push Americans into homes they may be ill-suited to afford. The fact that a proposal flaunting credit risk is being openly pushed by FHFA just a decade-and-a-half after the housing-led 2008 financial crisis is staggering.

Our housing system rests on the bedrock principles that individual financial responsibility should be rewarded and that accurately-tailoring financial products to the risk-profile of a consumer is necessary to ensure safety and soundness for the entire system. Your proposal, however, brazenly contradicts these core tenets by penalizing those who have diligently met their financial obligations and earned higher credit scores. FHFA's misguided rule will distort the cost of lending in U.S. housing markets, making the entire system less efficient and costlier for all Americans. This step towards market inefficacy will only exacerbate the divide between those who contribute to the stability and solvency of

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<sup>1</sup> <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Updates-to-Enterprises-SF-Pricing-Framework.aspx>

<sup>2</sup> <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Equitable-Housing-Finance-Plans--for-Fannie-Mae-and-Freddie-Mac.aspx>

our financial system and those who have, for various reasons, struggled fulfill their financial commitments.

Moreover, your proposal incorrectly assumes that creditworthiness is solely attained by only the affluent, blatantly disregarding the countless lower-income Americans who have demonstrated exceptional financial responsibility. By conflating credit scores with wealth, you not only engage in a gross oversimplification of a complex issue but also perpetuate a false narrative that unfairly maligns hardworking citizens in the lower-income bracket.

Given these realities, we request a written response to the following questions no later than May 10<sup>th</sup>.

1. Did FHFA conduct an economic or housing-market cost-benefit or impact analysis of its planned change to the Single-Family Pricing Framework? If so, please provide all analysis conducted and its findings. If not, please provide FHFA's reasoning for why analysis of this major change was not conducted.
2. Does FHFA believe these changes will impact the safety and soundness of housing finance markets? Please provide the rationale for your response.
3. Did FHFA conduct a notice and comment period for its updates to the Single-Family Pricing Framework? If so, please provide the list of stakeholders and organizations that FHFA considered comments from. If not, please provide FHFA's reasoning for why industry comment and collaboration was not conducted.

We urge you to prioritize the interests of all American citizens, regardless of their socio-economic standing, by fostering an environment that rewards responsible financial behavior and the clear realities of market risk-pricing structures. The housing market should not be exploited as a means to pander to targeted demographics that you have chosen, nor an instrument to secure political favoritism.

Thank you for your consideration of this issue and we look forward to reviewing the substance of your response.

Sincerely,



Roger Marshall, M.D.  
United States Senator



Thom Tillis  
United States Senator



Tom Cotton  
United States Senator



Eric S. Schmitt  
United States Senator



Jerry Moran  
United States Senator



Shelley Moore Capito  
United States Senator



Rick Scott  
United States Senator



Mike Braun  
United States Senator



Lindsey Graham  
United States Senator



Charles E. Grassley  
United States Senator



John Thune  
United States Senator



James Lankford  
United States Senator



Ron Johnson  
United States Senator



Ted Budd  
United States Senator



Kevin Cramer  
United States Senator



Todd Young  
United States Senator



Marco Rubio  
United States Senator



Mike Rounds  
United States Senator