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A Message from Ted Rood:

"Great, let's raise mortgage rates to pay for highways! What could be more logical than that?"

Sneaky Plan to Raise Mortgage Rates in Highway Bill

Senate Majority Leader Mitch McConnell (R-KY) and Senator Barbara Boxer (D-CA), Ranking Member of the Senate Environment and Public Works Committee have reached agreement on a Senate bill to extend **transportation programs** for six years but the Senate yesterday failed to reach cloture to begin voting on it. Democrats in the Senate claim they have not been allowed time to read the bill and that no amendments are being allowed from the floor. Not enough Republicans voted for the measure to consider the bill to overcome Democratic opposition; the cloture vote failed 41 to 56. Sixty yes votes were needed.

So what? Well, it seems that the Fannie Mae and Freddie Mac may be embroiled in the dispute. Buried on page 948 of the 1,030 page bill is the following:

> Sec. 52205. EXTENTION OF ENTERPRISE GUARANTEE FEE
> Section 1327(f) of the Housing and Community Development Act of 1992 is amended by striking "October 1, 2021" and inserting "October 1, 2025.

If the transportation bill passes, that clause would effectively **amend a previous change** made to that act in 2011, a change that increased the guarantee fees (g-fees) charged by Fannie Mae and Freddie Mac (the GSEs) to guarantee a mortgage loan. That 2011 change was not designed to further shore up the finances of the GSEs, just then beginning to return to solvency, but rather as a "pay-for" (Congress-speak) for another government project. It was used to resolve a congressional impasse over further extension of the temporary partial payroll tax (FICA and Medicare) roll-back that had been in effect for a year as an economic stimulus. The additional fees raised from the change went directly to the U.S. Treasury, not to the GSEs.

The proposed change **extends by four years that earlier 10 basis point increase**, making this at least the fourth occasion on which Congress has looked to homebuyers as a resource to fund non-housing related programs. Prior to the ten year temporary g-fee increase enacted in 2011 it is known

National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:21PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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that g-fees were considered as pay-fors on two other separate occasions.

A press release from David H. Stevens, president and CEO of the Mortgage Bankers Association (MBA) released prior to yesterday's vote reads as follows:

"Senators need to vote 'no' on cloture on the motion to proceed to this bill and go back to the drawing board on the pay-fors. **Taxing homebuyers**, which is the practical effect of increasing guarantee fees, to pay for unrelated government spending like this, is simply bad policy. It's bad for borrowers, it's bad for the housing market and it's bad for the economy, just as all three are finally showing signs of recovering from the 2008 meltdown. That is why we are asking all Senators to vote against this bill until they can find a more appropriate funding mechanism."

Pay-fors are needed because the bill has proposed extends the federal highway funding as well as funding for airports and other transportation programs for six years but provides only $47 billion in actual money, enough for three years. The AP reports that the government spends about $50 billion a year on highway and transit aid while the federal gas tax and other transportation taxes and fees raise only about $35 billion a year. One pay-for provision in the bill would reduce the dividend that the Federal Reserve pays to member banks, raising $16.3 billion; sale of oil from the Strategic Oil Reserve would raise $9 billion, and other more transportation related fees another $7.5 billion.

Banking Committee Chairman Richard Shelby (R-AL) objected to the $16.5 billion reduction in banker's dividends on the basis that there was no connection between banks and building highways and transit. "You're going to weaken the banking system. I'd be against that," he said. He apparently **did not raise similar objections** to the g-fee increases.

McConnell has said he will hold the Senate in session even through the weekend to bring the bill to a vote. Current authorization for **transportation programs** ends on July 31 and several states are already on the verge of running out of money.

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood

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