



December 15, 2011

The Honorable Harry Reid
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Reid:

The members of the Mortgage Bankers Association, the National Association of Home Builders and the National Association of REALTORS®, respectfully request that H.R. 3630, the “Middle Class Tax Relief Act of 2011”, be revised or defeated to ensure that Fannie Mae's and Freddie Mac's credit risk guarantee fees (g-fees) continue to be used solely for the purpose of minimizing the loss exposure of the government-sponsored enterprises (Enterprises), investors and taxpayers.

Because g-fees currently are calculated by the Enterprises as a function of the costs of guaranteeing the securities they issue, i.e., the risk of underlying loans, our organizations believe g-fee levels would be most appropriately addressed as part of comprehensive housing finance reform. Further, we strongly believe that fees charged by the Enterprises to manage risk and enhance capital should not be diverted for purposes unrelated to the safety and soundness of the housing finance system. Implementing this guarantee fee increase will also hinder necessary reforms to the GSEs in the years ahead, as any effort to reduce their role in the market would result in a loss of revenue.

We are also very concerned that a disturbing collateral consequence of this measure is that it raises revenue in a regressive fashion. Since the Enterprises are prohibited from purchasing loans in excess of \$417,000 (\$625,500 in high-cost areas). This de-facto housing tax is being imposed exclusively on the low to moderate income Americans that the underlying tax cut extension is supposed to benefit.

We also object to a proposed amendment to the act that would authorize Ginnie Mae to increase their guarantee fee. While this may seem like a simple measure to provide parity between Ginnie Mae and the Enterprises, we believe it will disproportionately impact the low and moderate income borrowers and first time homebuyers that FHA loans are targeted towards.

We appreciate the attempts by Congress to provide financial relief to the middle class, as well as foster job creation. However, we are united in our belief that H.R. 3630 is counterproductive because it diverts g-fees away from their intended purposes of minimizing the Enterprises' risk exposure and ensuring the liquidity of the secondary mortgage market to the detriment of the taxpayers.

Therefore, we respectfully request that you revise or defeat, H.R. 3630 the “Middle Class Tax Relief Act of 2011”.

Thank you for your consideration of this very important matter.

Sincerely,

Mortgage Bankers Association

National Association of Home Builders

National Association of REALTORS®