



Timothy K. Zimmerman, *Chairman*  
Preston L. Kennedy, *Chairman-Elect*  
Noah W. Wilcox, *Vice Chairman*  
Kathryn Underwood, *Treasurer*  
Christopher Jordan, *Secretary*  
R. Scott Heitkamp, *Immediate Past Chairman*  
Rebeca Romero Rainey, *President and CEO*

May 15, 2018

Melvin Watt  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> St SW  
Washington, DC 20024

Dear Director Watt:

I am writing to you today to express our concerns regarding several recently announced activities and pilot programs by Freddie Mac. Our review of these activities and programs, including feedback and questions from our members, suggests that these initiatives by Freddie Mac display a lack of transparency and bring to bear questions about their actions crossing the “bright line” between the primary and secondary markets. We are concerned that these recent activities may result in negative unintended consequences for the GSEs, our members, and the market in general.

We believe that the Federal Housing Finance Agency (FHFA), as both conservator and regulator, should oversee and control GSE activities that interfere with the private mortgage lending and commercial banking markets. Moreover, Section 1123 of the “Housing and Economic Recovery Act of 2008” (HERA) prescribes a specific process the FHFA is to follow for “new products” at the GSEs. This process requires a public notice period, subsequent review, and a decision based on whether the product is consistent with the safety and soundness goals of the GSEs and the financial system. Unfortunately, the lack of transparency or notice provided by Freddie Mac and FHFA make it unclear if there was any approval process by FHFA and whether these actions represent a “new product” or a “new action”, the latter of which is not covered under HERA.

In addition to Freddie Mac’s recent IMAGIN Credit Risk Transfer (CRT) program, Freddie Mac CEO Don Layton recently made comments regarding his company’s program to offer lines of credit to non-bank mortgage originators that service their loans. Both transactions raise concerns with ICBA members, and both appear to cross the “bright line” into the primary

*The Nation’s Voice for Community Banks.®*

WASHINGTON, DC  
1615 L Street NW  
Suite 900  
Washington, DC 20036

SAUK CENTRE, MN  
518 Lincoln Road  
PO Box 267  
Sauk Centre, MN 56378

866-843-4222  
www.icba.org

market, which is prohibited by HERA. Further, these types of products or programs have the potential to create an uneven playing field among large and small lenders. The questions on the attached page reflect some of our members' concerns.

My staff and I would like to meet with you to discuss these concerns and hopefully gain a better understanding of the context and rationale behind Freddie Mac's actions and some insight into how these decisions are made, approved, and how FHFA defines "new products" versus "new activities".

Thank you for your consideration and we welcome the opportunity to discuss these issues at your earliest convenience.

Sincerely,

Rebeca Romero Rainey  
President & CEO  
Independent Community Bankers of America

Cc Don Layton- Freddie Mac

## ICBA Issues with recent Freddie Mac product announcements

### **IMAGIN CRT**

- What criteria did FHFA use to review and approve this product?
- Given that LPMI results in a higher interest rate paid by the borrower, how does IMAGIN result in lower borrower costs?
- How is this product disclosed to the borrower?
- What are the criteria used to evaluate lenders who which to participate?
- Will Freddie Mac publish results of the “pilot” phase of this program?

### **Credit Lines to Non-Bank Servicers**

- What criteria did FHFA use to review and approve this product?
- How did FHFA and Freddie Mac determine that there was a shortage of lending facilities to competitively meet the liquidity needs of non-bank servicers?
- What are the criteria used to evaluate non-bank servicers for participation in this program?
- How are these LOC’s structured and collateralized?
- If these non-bank servicers were experiencing liquidity issues, why did Freddie Mac permit them to acquire and retain Freddie Mac servicing rights?
- Is FHFA concerned that this program poses safety and soundness risks given the poor capital position of the GSEs, and that through this program Freddie Mac is effectively the lender of last resort?