



February 10, 2011

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street NW, 4th Floor
Washington, DC 20552-0003

Dear Mr. DeMarco:

The Home Affordable Refinance Program (HARP) has been instrumental in helping consumers who have shown a commitment to paying their mortgages take advantage of this historically low interest rate environment. In fact, the number of borrowers using the HARP programs established by Fannie Mae and Freddie Mac has steadily increased since HARP's inception in March 2009. As a result, many borrowers with negative equity have been able to lower their payments, shorten their loan terms, or refinance into more stable mortgage products, thus putting their families into more sound financial positions.

Presently, HARP is set to expire on June 30, 2011. MBA strongly encourages an extension of the program until at least December 31, 2012, which corresponds to the expiration of the Home Affordable Modification program (HAMP). HARP has increasingly become an important refinance tool for lenders to help borrowers with negative equity in good standing improve their financial situation and reduce the risk of loss by lenders, Fannie Mae, and Freddie Mac.

Despite the existing benefits of HARP, changes in the program would help HARP be more successful. Three changes that would have the most dramatic impact on the program are an increase in the loan-to-value (LTV) limit, a re-evaluation of Fannie Mae and Freddie Mac's Loan Level Price Adjustment (LLPAs), and closer alignment between Freddie Mac and Fannie Mae's separate HARP programs.

Currently, both government sponsored enterprises (GSEs) cap the loan-to-value (LTV) at 125 percent. This cap prevents borrowers from areas that experienced the most significant house declines from refinancing into a more affordable or stable loan payment. FHFA should consider raising or removing the LTV cap on loans that the GSEs already own to allow borrowers who are in severe negative equity positions, yet are still meeting their mortgage obligations, to improve their financial position. MBA understands that there are important secondary market considerations in raising the cap; however, Fannie Mae and Freddie Mac already hold the risk on these loans and by allowing these borrowers to take advantage of lower rates or a more stable product, it reduces the default risk. Helping these borrowers now, who have shown commitments to honoring their fiduciary responsibilities during this devastating housing market, increases the chances that they will remain reliable borrowers.

Another significant barrier is the LLPAs imposed by the GSEs. Although the LLPAs are capped at two points, the fees can often place borrowers in a position of increasing their negative equity position by rolling in additional costs to the loan, or limiting the population of eligible borrowers who may find a benefit to refinancing.

Based on the existing LLPA structure, borrowers can quickly reach the two point cap, because of additional fees for condos, high LTVs, second homes, and an “adverse market,” thus greatly reducing the financial benefit of participating in the program. MBA recommends that FHFA evaluate the current fee structure, particularly for borrowers with the highest LTVs, to ensure that the fees are not an impediment to the success of the program.

In addition to the changes noted above, MBA also recommends a closer alignment of the program guidelines established by Fannie Mae and Freddie Mac. These differences in program guidelines can inhibit a consumer’s ability to refinance, depending on which entity owns the loan. Closer alignment will eliminate confusion and operational delays with lenders who are processing HARP loans. Below, MBA highlights issues where the GSE’s differences have had a significant impact on borrowers’ usage of the program.

1. Closing Costs

- a. Freddie Mac limits financed closing costs and prepaids to the lesser of four percent or \$5,000. Fannie Mae does not have this limit.
- b. MBA recommends that Fannie Mae’s requirement becomes the standard, in order to increase the availability of the program to more borrowers.

2. Eligibility Dates

- a. Currently, loans must have been sold to Fannie Mae prior to March 2009, to be eligible for the program, while Freddie Mac requires loans to be sold prior to June 2009, to be eligible for the program
- b. MBA recommends that Freddie Mac and Fannie Mae eligibility dates be identical. Additionally, eligibility dates should be extended to deliveries prior to October 2010.

3. Condominium Reviews

- a. Fannie Mae’s standard condominium reviews allow for more flexibilities than Freddie Mac’s condominium reviews.
- b. For example, Fannie Mae allows borrowers use HARP if more than 15 percent of the unit owners are past due on their Homeowner Association dues.
- c. MBA recommends Fannie Mae’s guidelines become the standard.

4. Age of Documentation

- a. Fannie Mae currently requires that documents be less than or equal to 90 days prior to Note date, while Freddie Mac permits documents less than or equal to 120 days prior to Note date.

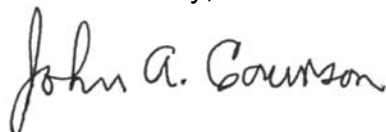
- b. MBA recommends that Fannie Mae's requirements should match Freddie Mac's.
5. Passive Income Documentation
- a. Fannie Mae requires passive income (e.g. pension, social security income) documentation, regardless of its "no income / no asset" documentation requirement. Freddie Mac does not have this requirement
 - b. MBA recommends that Fannie Mae's program match the Freddie Mac program.
6. Representation and Warrant (rep & warrant) Relief
- a. Fannie Mae allows some representation and warrant relief depending on whether the original loan was approved through DU Refi Plus (rep & warrant relief on original loan if DU instructions are followed) or Refi Plus (rep & warrant relief on original loan, if that loan is seasoned 12 months and 0x30 over that period). Freddie Mac specifies that it does not give any rep & warrant relief.
 - b. MBA recommends that Freddie Mac should match Fannie Mae's policy.
7. Non-employed/ under-employed borrower
- a. Fannie Mae requires borrowers to be employed at the time of refinance; Freddie Mac's guide is silent on this requirement
 - b. MBA recommends that unemployed or under-employed borrowers who are current in spite of job-loss or underemployment be allowed to refinance if the loan is in the servicer's portfolio, but does not qualify for the Imminent Default Program.
8. Alternative Documentation (Alt-A) Loans and Expanded Approval Loans
- a. Freddie Mac includes Alt-A and other "higher risk" original loans in its HARP program with the same parameters.
 - b. Fannie Mae will only offer the HARP program to lenders who re-qualify the borrowers through DU or through a special variance to lenders with the payment of additional LLPA's beyond the two percent cap.
 - c. MBA recommends that Fannie Mae adopt Freddie Mac's requirements, given the borrower's risk has been mitigated by demonstrating the ability and willingness to pay as agreed. Moreover, the additional costs to the customer are counterproductive.
9. Payment Eligibility
- a. Fannie Mae allows no more than one 30-day late payment in the past 12 months to meet program eligibility requirements; Freddie Mac allows no late payments in the past 12 months.
 - b. MBA recommends that Freddie Mac align with Fannie Mae to allow one 30-day late payment in the past 12 months.

10. Property Inspection Alternatives (PIAs)
 - a. Freddie Mac does not issue PIAs on HARP-eligible loans, whereas Fannie Mae allows Property Inspection Waivers. The inspection waivers eliminate the need for new appraisals and helps streamline the loan process.
 - b. MBA recommends that Fannie Mae's guidelines are adopted.

11. Automated Underwriting Findings
 - a. Fannie Mae and Freddie Mac's ineligible findings on Desktop Underwriter (DU) and Loan Prospector (LP), respectively, do not sufficiently explain why a loan is ineligible for HARP.
 - b. Additionally, LP does not give indications of eligibility for HARP on all rate and term refinance submissions. Lenders must specifically request that the loan be considered for HARP. DU gives an indication of HARP eligibility on every refinance submission.
 - c. MBA recommends that Fannie Mae and Freddie Mac list the specific reason why a loan has been deemed ineligible for HARP in the DU and LP finding. Additionally, Freddie Mac should give an indication of HARP eligibility on every refinance transaction.

HARP is a vital component of a lender's tool kit to help borrowers remain in their homes. MBA looks forward to working with you to promote this invaluable program and to continue to help stabilize the housing market. If you have any questions, please contact Tamara King at (202) 557-2758 or tking@mortgagebankers.org.

Most sincerely,



John A. Courson
President and Chief Executive Officer
Mortgage Bankers Association