



May 23, 2023

**The Honorable Patrick McHenry**

Chairman  
House Committee on Financial Services  
2129 Rayburn HOB  
Washington, DC 20515

**The Honorable Maxine Waters**

Ranking Member  
House Committee on Financial Services  
4340 O'Neill HOB  
Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters:

We are writing to express our opposition to H.R. 3564 “Middle Class Borrower Protection Act of 2023.” The bill’s title is ironic because it would, in fact, make mortgages more expensive for many middle-class American families.

Record housing prices have put homeownership increasingly out of reach for many Americans. The US median home sales price is \$436,800 as of the first quarter of 2023. That's a 32% increase from 2020, when the median was \$329,000.<sup>1</sup> However, Americans have not become 32 percent richer in the last three years. Rather, inflation, rising demand, and the increasing amount of homes owned by private equity and Wall Street firms have all contributed to these price increases. Meanwhile, rising rents make it increasingly difficult for first-time home buyers to save for a down payment.<sup>2</sup> To afford a 20 percent down payment on a \$436,800 home, a homebuyer would need \$87,360 for the down payment, a sum that many middle-income American families simply do not have.

Given these trends, the FHFA should be commended for making mortgages more affordable for first-time homebuyers, borrowers participating in the Enterprises’ affordable mortgage programs, and creditworthy borrowers who lack a 20 percent down payment. These borrowers will see reduced or eliminated loan level price adjustment fees. The FHFA will also increase loan level price adjustment fees for vacation home and investment property mortgages, cash-out refinances, and large loan amounts. Taken together, these actions demonstrate an important first step towards a more equitable mortgage pricing framework that supports middle class homebuyers over investors and second-home owners.

We oppose H.R. 3564 because it would rescind the FHFA’s more equitable pricing framework and instead require the FHFA to increase fees for many first-time home buyers and those who do not have a 20% down payment. It would require the FHFA to impose a risk-based pricing model, one that would

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<sup>1</sup> U.S. Census Bureau and U.S. Department of Housing and Urban Development, “Median Sales Price of Houses Sold for the United States [MSPUS],” retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MSPUS>, May 22, 2023.

<sup>2</sup> Alicia Adamcyck, “Soaring rental prices make it even more difficult to save for a house,” CNBC, February 9, 2022. <https://www.cnbc.com/2022/02/09/soaring-rent-prices-make-it-even-more-difficult-to-save-for-a-house.html>

ultimately benefit housing investors and vacation home owners while making homeownership more difficult for middle class Americans.

H.R. 3564 will disproportionately harm homebuyers of color. Because of our history of racial discrimination, a large racial wealth gap persists that makes it less likely that a homebuyer of color will be able to pay for a 20 percent down payment through their personal savings, assistance from their families, or inheritance.<sup>3</sup>

Opponents of the FHFA's pricing matrix have spread significant misinformation about its impacts on mortgage pricing. To be clear: under the new framework, borrowers with good credit and higher down payments will continue to pay lower mortgage costs than borrowers with good credit and lower down payments, because these borrowers will still be required to pay for monthly mortgage insurance until they reach 20 percent equity.

Optimally, Americans for Financial Reform believes the loan-level price adjustment fees should be eliminated altogether because this will increase pricing transparency and make homeownership more affordable. These fees are unnecessary from a risk-mitigation perspective because Fannie Mae and Freddie Mac already have charge guarantee fees to cover the credit risk of acquiring single-family loans from lenders. However, the changes recently made by FHFA are a step in the right direction of mitigating the adverse effects of the adjustment fees, which is why we support FHFA's actions. H.R. 3564 would move us in the wrong direction by further entrenching the loan-level price adjustment fee flawed framework and making it even more inequitable.

At a time when more and more Americans are struggling with the cost of housing, it defies comprehension that Congress would seek to increase fees for middle class homebuyers. For these reasons, we urge you to oppose this legislation.

For more information, please contact Caroline Nagy, Senior Policy Counsel for Housing, Corporate Power, and Climate Justice at [caroline@ourfinancialsecurity.org](mailto:caroline@ourfinancialsecurity.org).

Sincerely,

Americans for Financial Reform

CC Members of the House Financial Services Committee

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<sup>3</sup> Lisa Camner McKay, "How the Racial Wealth Gap Has Evolved—And Why It Persists," Federal Reserve Bank of Minneapolis, October 3, 2022, <https://www.minneapolisfed.org/article/2022/how-the-racial-wealth-gap-has-evolved-and-why-it-persists>.