

New fee on mortgage refinances could cost homeowners \$1,400

Fannie Mae and Freddie Mac cite higher risk amid economic uncertainty

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[UPDATE] *This article was updated on 8/13 to include a statement from the FHFA.*

Refinance mortgage loans sold to **Fannie Mae** and **Freddie Mac** after Sept. 1 will include a new adverse-market refinance fee of 0.5%, the two government sponsored enterprises announced Wednesday night. This fee will be assessed for both cash-out and no-cash-out refinances.

"In light of market and economic uncertainty resulting in higher risk and costs incurred by Fannie Mae, we are implementing a new loan-level price adjustment," the letter from the larger of the two government-sponsored enterprises said.

Freddie Mac's [bulletin](#) specifically cited the pandemic.

"As a result of risk management and loss forecasting precipitated by COVID-19 related economic and market uncertainty, we are introducing a new Market Condition Credit Fee," it said.

With refinance activity rising to [65.7% of total applications](#) – posting 12 straight weeks of year-over-year growth – the fee's effects will be felt immediately.

For example, for a loan of \$291,300 – the [median home price](#) in the second quarter – that .5% will cost lenders \$1,456. The Sept. 1 sell date means some of the refis impacted are already locked and can't be adjusted at this point, so lenders will have to pay the fee. If the deal isn't locked, the cost likely will be passed on to the consumer.

The new credit fee doesn't apply to purchase mortgage loans.

When reached for comment, the **Federal Housing Finance Agency**, which regulates Fannie Mae and Freddie Mac, gave this statement: "Based on their projected COVID-related losses, Fannie Mae and Freddie Mac (the Enterprises) requested, and were granted, permission from FHFA to place an adverse market fee on mortgage refinance acquisitions."

The **Mortgage Bankers Association** issued a statement calling the new fee "ill-timed" and said it runs counter to the goals behind one of the directives signed by President Donald Trump on Saturday to support homeowners.

"Tonight's announcement by the GSEs flies in the face of the administration's recent executive actions urging federal agencies to take all measures within their authorities to support struggling homeowners," the MBA statement said.

"Requiring Fannie Mae and Freddie Mac to charge a 0.5% fee on refinance mortgages they purchase will raise interest rates on families trying to make ends meet in these challenging times," it said. "This means the average consumer will be paying \$1,400 more than they otherwise would have paid."

The timing of the announcement will result in consumers who have loans already in process being faced with unexpected costs, MBA said.

"Even worse, the Sept. 1 effective date means that thousands of borrowers who did not lock in their rates could face unanticipated cost increases just days from closing," the trade group said.

“The housing market has been able to withstand many of the most severe effects of the COVID-19 pandemic,” MBA said. “The recent refinance activity has not only helped homeowners lower their monthly payments, but it is also reducing risk to the GSEs and taxpayers. At a time when the **Federal Reserve** is purchasing \$40 billion in agency MBS per month to help reduce financing costs for mortgage borrowers to support the broader economy, this action raises those costs and undermines the Federal Reserve’s policy.

MBA called on the FHFA to reverse the decision.

“This announcement is bad for our nation’s homeowners and the nascent economic recovery,” the MBA statement said. “We strongly urge FHFA, which had to approve this policy, to withdraw this ill-timed, misguided directive.”