



## **Banking Group Proposes Solution to High Rates**

Home buyers aren't the only ones unhappy with current mortgage interest rates. Last week, The Independent Community Bankers Association (ICBA) began promoting a plan that could reduce mortgage interest rates by 1% to 1.5%.

The ICBA was supported by the National Association of Realtors (NAR), and Community Home Lenders of America. Together, these three submitted a letter to The White House and Treasury Department outlining a plan to reduce the historically large spread between 30-year mortgage rates and 10-year Treasuries.

ICBA states that their proposal could reduce mortgage rates by up to 150 basis points. They also recommended that the following changes take place:

- The Federal Reserve shift its policy to maintain its stock of mortgage-backed securities (MBS), suspending runoff until the spread between the 30-year fixed rate mortgage and 10-year Treasury note stabilizes.
- Enable Fannie Mae and Freddie Mac to purchase their own MBS and/or Ginnie Mae MBS for a temporary period of time.

"The housing shortage is structural for the time being and has a significant impact on inflation," the letter continues. "Our groups thoroughly respect the independence of the Federal Reserve but believe it should take this structural issue into consideration when evaluating strategies to attain the Fed's desired 2% inflation target."