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JANUARY 6, 2022

Fannie, Freddie Increasing Fee on Second-Home Loans

By Kerry Smith

FHFA is increasing the “G-fee” on most high-balance and second-home mortgages. Translation: After April 1, buyers seeking these loans will pay a bit more.

WASHINGTON – On Wednesday, the Federal Housing Finance Agency (FHFA) announced (https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Targeted-Increases-to-Enterprise-Pricing-Framework.aspx)an increase in Fannie Mae and Freddie Mac’s upfront fees for some high-balance and second-home loans. The increase in the so-called “G-fees” begins on April 1, 2022, according to FHFA’s announcement.

More than half of all mortgages, once originated by a lender, are sold to either Fannie Mae or Freddie Mac. The system provides liquidity to the U.S. mortgage market and allows local lenders to finance even more loans. FHFA uses money generated by the G-fees – essentially a surcharge to loans they purchase – to support affordable housing through programs such as HomeReady, Home Possible, HFA Preferred and HFA Advantage.

FHFA says the increase will help it meet objectives outlined in its 2022 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions (https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2022-Scorecard.pdf) to “increase support for core mission borrowers, while fostering capital accumulation, achieving viable returns and ensuring a level playing field for small and large sellers.”

Starting in April, G-fees for the affected high-balance home loans will increase between 0.25% and 0.75%, tiered by loan-to-value ratio. Fannie Mae calls these high-balance loans; Freddie Mac calls them super-conforming loans. However, loans to first-time homebuyers in high cost areas with incomes at or below 100% of area median income won’t have specific high balance upfront fees.

For second-home loans, upfront fees will increase between 1.125% and 3.875%, tiered by loan-to-value ratio.

The National Association of Realtors® (NAR) opposes G-fee increases but says the latest change has a positive side if it helps Fannie and Freddie maintain broad liquidity as the federal government pulls back unprecedented support during the pandemic. Still, it expects an undue impact in higher-cost metro areas and areas with a high level of second-home purchases.

“Fannie Mae and Freddie Mac will face greater risks as the market is weaned off of the extraordinary federal support during the pandemic, and these changes may help them to support the maximum access and affordability possible for the market in a sound manner,” says NAR President Leslie Rouda Smith. “However, we are concerned that any fee increases that exceed necessary levels in the current environment will harm affordability and access for consumers. Realtors® believe any excess revenues gleaned from the fee increases must be used to support homeownership opportunities in underserved communities, expanding affordability and access in a safe manner.”

“Today’s action represents another step FHFA is taking to strengthen (Fannie Mae and Freddie Mac’s) safety and soundness, and to ensure access to credit for first-time homebuyers and low- and moderate-income borrowers,” says FHFA Acting Director Sandra L. Thompson.