



FHFA Suspends Second Home, Investment Loan Limits

The Federal Housing Finance Agency (FHFA) and the U.S. Department of the Treasury announced late Tuesday that they were **suspending some of the provisions that had been added to the Preferred Stock Purchase Agreements (PSPAs)** on last January. The PSPA is the legal agreement between Treasury and Fannie Mae and Freddie Mac governing the terms of the line of credit given to the GSEs in 2008 when they were put into conservatorship.

FHFA acting director Sandra L. Thompson said, "This suspension will provide FHFA time to review the extent to which these requirements are redundant or inconsistent with existing FHFA standards, policies, and directives that mandate sustainable lending standards."

The January 14 amendments were said to bring the amount of capital the companies are permitted to retain into conformance with the 2020 Enterprise Capital Rule unveiled by FHFA in November. They allowed the GSEs to retain earnings to maintain tier 1 capital in excess of 4.0 percent of their guarantee obligations to avoid restrictions on capital distributions and discretionary bonuses. Previously the GSE's quarterly profits were swept into Treasury in lieu of a dividend.

The more impactful (and controversial) **changes limited the ability of the GSEs to acquire certain mortgages**. This included limiting to 7 percent of mortgage volume loans secured by second home or investment properties. The limit is measured by the GSEs' unpaid principal balance on a 52 week rolling average. There was also a 6 percent limit on the acquisition of loans with layered risk with a 3 percent limit on those for refinance.

The PSPA amendments also placed a limit of \$1.5 billion on the cash purchases of mortgages from a single seller and its affiliates over any four-quarter period. This limitation was set to begin on January 1, 2022.

In Tuesday's announcement, FHFA says it will consult with Treasury on the scope of its review and on **any recommended revisions to the PSPA requirements**. Those provisions now suspended include limits on the GSEs' cash windows (loans acquired for cash consideration), multifamily lending, loans with higher risk characteristics, and second homes and investment properties. The agency will also review the Enterprise Regulatory Capital Framework and expects to announce further actions soon.

Robert D. Broeksmit, president and CEO of the Mortgage Bankers Association (MBA) released the following statement on the FHFA/Treasury announcement.

"MBA applauds the announcement by the Treasury and FHFA that they are suspending the limits on purchases of certain loan types, lenders' use of the cash window, and multifamily volumes, which were imposed on the GSEs by the PSPA amendments on Jan 14, 2021.

"The suspensions will eliminate several market and pricing disruptions caused by these caps that were harming lenders and borrowers alike and pave the way to restore appropriate regulatory authority to the FHFA.



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