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August 14, 2023

The Honorable Sandra Thompson

Director, Federal Housing Finance Agency

Via website submission

Re: FHFA Request for Input dated May 15, 2023 - Enterprises’ Single-Family Mortgage Pricing Framework

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, credit unions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH opines on legislation or rules, it is related only to mortgage lending and servicing.

We applaud the FHFA’s announcement on May 10, 2023 to reverse course and rescind the loan-level price adjustment based on debt-to-income ratios in excess of 40%. However, we have continued concerns about the structure of exemptions to the loan-level price adjustments (“LLPAs”) and how they are applied unequally to borrowers in the state of Hawaii versus borrowers in other “high cost” areas in the continental U.S.

The LLPA fee cap, which essentially waives these LLPA’s, is allowed for a first-time homebuyer (“FTHB”) whose income is less than 100% of the Area Median Income (“AMI”) in Hawaii. In other “high cost areas”, this waiver applies to a FTHB whose income is less than 120% of AMI. Due to statutory language as part of Housing and Economic Recovery Act of 2008 (HERA)1, Hawaii is granted a higher conforming loan limit but cannot also be considered a “high cost area”. Therefore, areas on the mainland with similar high housing costs are given a higher income exemption from the LLPA’s.   
  
To illustrate the effect, we compare Maui county to Contra Costa County, CA, which have a very similar median sales prices and the same FHFA “conforming loan limit” but have a vastly different threshold for waiver of these LLPA’s. A FTHB in Contra Costa County would be exempt from all LLPA’s with income of $181,319 whereas any FTHB in Maui County whose income is above $101,100 would be assessed these fees.

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|  | Median Sales Price2 | AMI 100% | AMI 120% | FHTB LLPA waiver |
| Contra Costa Co., CA | $871,375 | $151,100 | $181,320 | $181,320 |
| Maui County, HI | $898,025 | $101,100 |  | $101,100 |

This disparate treatment based on the way the LLPA exemption rule was written is unfair to prospective homebuyers in Hawaii and has nothing to do with the GSEs need to manage their risk appropriately. We believe this to be an oversight. This rule needs to be reconsidered and rewritten to allow the 120% multiplier also for states that have higher permanent conforming loan limits based on HERA. We ask the FHFA to review the LLPA cap threshold of 100% of AMI for first-time buyers in Hawaii and instead to allow the 120% of AMI cap applicable to other “high cost areas” on the mainland.

Thank you for the opportunity to present our perspective.

Respectfully,

Victor Brock

Legislative Committee

Mortgage Bankers Association of Hawaii

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Calculation of 2023 Conforming Loan Limit Values under HERA Addendum <https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limit/FHFA-CLL-Addendum-CY2023.pdf>

2National Association of Realtors 3rd Quarter 2022 <https://www.nar.realtor/research-and-statistics/housing-statistics/county-median-home-prices-and-monthly-mortgage-payment>

3Source: Honolulu Board of Realtors

4 <https://www.mba.org/docs/default-source/residential-policy-letters/mba-letter-regarding-new-llpa-changes_feb-3-2023.pdf?sfvrsn=b8c9970_1>