



November 8, 2021

The Honorable Pat Toomey
United States Senate
Washington D.C. 20510

Dear Senator Toomey,

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our strong support for your legislation S. 3040, the "No GSE Subsidies for Investor Properties Act." Your important legislation would make taxpayer-friendly improvements to the types of mortgages that can be backed by Fannie Mae and Freddie Mac, the two broken Government-Sponsored Enterprises (GSEs). Commonsense reforms such as this one can help rightsize the government's role in housing finance policy, and we urge its swift consideration.

For more than thirteen years, Congress has failed to deliver any meaningful reforms to Fannie Mae and Freddie Mac. Absent changes to the status quo the housing duopoly will continue to pose significant risks to taxpayers, homeowners, and the entire global economy. Most significantly, the two GSEs own or guarantee roughly half of the \$12 trillion mortgage market, but lack the capital to survive the next inevitable downturn in home prices. Further, since conservatorship began more than a decade ago, Fannie Mae and Freddie Mac have borrowed more than \$190 billion from taxpayers to stay afloat. Should another shock to the housing market take place, Fannie and Freddie are likely to require yet another draw from the U.S. Treasury.

It's clear that the federal government plays an outsize role in the mortgage market, and must be reformed in a way that protects taxpayers, preserves mortgage access, and promotes liquid secondary mortgage markets. While comprehensive reform remains elusive, there are numerous reasonable reforms that should be on the table. One of those reforms, as you rightly propose, would change loan eligibility criteria at the GSEs to eliminate loans for non-owner occupied single family homes, known as "investor loans." This change would help refocus the GSEs mission on purchasing single-family homes that people actually live in.

According to a [study](#) by the American Enterprise Institute, in 2016 "investor loans and vacation homes were 10.9 percent of GSE acquisitions by count and 8.7 percent by dollar volume." While your legislation does not deal with secondary-owner occupied homes, it's clear that investor loans comprise a significant portion of the GSE balance and have little to do with promoting homeownership. Importantly, ending the taxpayer-backstop of investor loans would not have a significant impact on the market, as it can be entirely handled by the private sector. There is little justification for the government to subsidize these products or for taxpayers to shoulder the risks they entail.

Your legislation is a step in the right direction to better protect taxpayers from unnecessary risk. We applaud the introduction of the "No GSE Subsidies For Investor Properties Act" and look forward to working with you on this and other housing finance reform bills in the 117th Congress.

Sincerely,

Thomas Aiello
Director of Federal Affairs