March 30, 2020

Senator Mike Crapo  
251 E. Front Street Suite 205  
Boise, Idaho 83702

Dear Senator Crapo:

I am writing you this letter to ask for help and to make you aware of the current imbalance of liquidly in the mortgage market, not only in Idaho but, nationwide.

The Fed’s recent decision to buy billions of dollars in MBS paper has created quite a spread in the price of what a mortgage is worth in the marketplace and the current price of MBS paper.   All things being equal, the actual mortgage that we can sell to FNMA or Freddie should match, or be close to, the current MBS prices and frankly they are not.

This is extremely problematic because mortgage bankers use financial instruments, including us, to hedge the risk of the fluctuations in pricing MBS paper.   This is a huge problem when our government ran GSE’s do not follow the same MBS pricing as we do.   The hedge is there to protect mortgage companies against rates moving upward and when rates go down, we lose money on the hedge position. In turn, when the loan is sold, we make we make equal amounts on the loans themselves using the assumption that FNMA and Freddie use same MBS pricing.

The current opinion out there is the that all long-term mortgage buyers, including FNMA and Freddie are concerned about American’s making their mortgage payments. To this point, this is why private investors have different pricing versus the MBS market. However, I do not understand how a government entity can price the MBS and buy paper, as if they are private, and still accept government funding.   When the Feds continue to buy MBS paper, which they did again today, it makes the spread even bigger.

This spread forces all mortgage companies, including ours, to increase rates on the new loans based on the current market pricing, not the MBS paper.   This creates a horrible situation for the consumer (who needs our help now more than ever) and for all companies that are tied to the mortgage market.    As you know, the mortgage industry is a $19 trillion dollar a year industry and we provide capital to all kinds of related businesses and millions of consumers.

I would like to see relief to the consumer and to companies like ours as soon as possible.   The culprit here is not just the Fed but FNMA and Freddie alike.   They should immediately price in step with the market and stop trying to act like a private company.   Frankly, I am not sure that their charter even allows them to do this.   It’s extremely perplexing and extremely negative in so many aspects.

I would welcome the opportunity to share some data with you via webinar, if you can find time.  Housing is extremely important to our economy right now and is in fact one of the bright spots we have. I can be reached by email [cory@pmrloans.com](mailto:cory@pmrloans.com) or by phone at 208-608-2445.

Any help to get this message to right people and affect the change that is so necessary would be much appreciated.

Thank you,   
  
  
Cory Swain  
Managing Partner