



October 18, 2017

Mr. Michael Bright  
Chief Operating Officer and Acting President  
Ginnie Mae  
451 Seventh Street, Room B-133  
Washington, DC 20410

**Re: Remediation of Issues related to Rapid VA Loan Refinancing**

Dear Mr. Bright,

On behalf of SIFMA's diverse membership<sup>1</sup>, we write today to strongly support your efforts to investigate and remediate issues with rapid refinancing of Veterans Affairs (VA) loans which are securitized in Ginnie Mae-guaranteed mortgage backed securities (MBS). We are concerned that these activities may negatively impact VA borrowers and believe they have negatively impacted the mutual funds, 401k plans, and other savers invested in Ginnie Mae MBS. We echo the concerns of Senators Elizabeth Warren and Dean Heller expressed in their recent letters and applaud their interest in these issues.

SIFMA supported Ginnie Mae's first effort to address this problem, and we strongly support Ginnie Mae's further efforts to ensure that all participants in the Ginnie Mae program are behaving responsibly and in the best interest of borrowers, investors, and taxpayers.<sup>2</sup>

Prior to the 2016 APM, many pools with high VA concentrations would see near-immediate spikes of prepay speeds to extremely high levels within a few months of pool issuance. While some amount of prepayment variability is to be expected, these levels defied reasonable explanations and harm liquidity in the market. Based on research by our members, it appears that borrowers are being put into higher interest rate loans and quickly refinanced into lower interest rate loans. It may be the case that pricing and other criteria in the program create an incentive for this rapid refinancing, sometimes with less regard than deserved for the benefits to the borrower.

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

<sup>2</sup> The first effort being the October 19, 2016 APM announcing a 6-month payment history requirement for delivery of streamlined refinancing loans into Ginnie Mae MBS.


What is clear is that the mutual funds, 401k plans, and other savers invested in Ginnie Mae MBS have borne the cost of this behavior. Ultimately, it harms all borrowers whose loans are funded by the Ginnie Mae MBS programs – if the cost of funding loans through Ginnie Mae MBS increases, the cost of mortgage loans increases for FHA and RHS borrowers, in addition to VA borrowers.

The 2016 APM helped stem the rapidity of the spike in prepayments in the TBA market by pushing the activity down the line so that it now occurs immediately after the 6-month window has expired. Further, some of this activity may simply have shifted into the Custom pool market. More work needs to be done to address this issue at a fundamental level.

For these reasons, SIFMA members strongly support efforts by Ginnie Mae to police the users of the program to ensure that Ginnie Mae and the market understand why significant variations in loan performance occur, and to ensure that actions that harm consumers or the liquidity of the MBS market are stopped as soon as is reasonably possible. We hope that Ginnie Mae and VA are able to work together to quickly address these problems.

SIFMA stands ready to assist in your work to resolve this important problem.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Bentsen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kenneth E. Bentsen, Jr.  
President and CEO, SIFMA