



**STATE OF KANSAS  
OFFICE OF THE ATTORNEY GENERAL**

**KRIS W. KOBACH**

ATTORNEY GENERAL

MEMORIAL HALL  
120 SW 10TH AVE., 2ND FLOOR  
TOPEKA, KS 66612-1597  
(785) 296-2215 • FAX (785) 296-6296  
WWW.AG.KS.GOV

May 10, 2023

The Honorable Sandra L. Thompson  
Director, Federal Housing Finance Agency  
400 7th St, SW  
Washington, DC 20024

Dear Director Thompson,

We write to express our concern over the new Loan-Level Pricing Adjustments (LLPAs) that went into effect this month. These rate increases will almost certainly hurt the first-time home buyers and low-income families they are intended to help.

The theory behind the new rates—which increase borrowing costs for homebuyers with very good credit scores while reducing them for less creditworthy buyers—is that they will help low-income buyers. But if that is indeed the goal, you have chosen an incongruous way of going about it. Low income does not necessarily equate to low credit scores, and it is insulting to act as if it does. Hard-working American families who save, live within their means, and diligently pay their debts can earn good credit scores at any income level. The end result of the new rates is to subsidize carelessness and penalize hard work.

Your agency's decision to punish the diligent and thrifty is deeply unfair. In some cases, the charges have *tripled*.<sup>1</sup> It's one more slap in the face to hard-working Americans from an administration that has already presided over economic uncertainty, runaway housing prices, and the highest interest rates most first-time homebuyers have ever seen.

Lest we forget, one of the contributing factors leading to the subprime mortgage crisis was Fannie Mae and Freddie Mac's

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<sup>1</sup> Thomas Barrabi, *How the US Is Subsidizing High-Risk Homebuyers—at the Cost of Those with Good Credit*, N.Y. Post, Apr. 16, 2023.

actions with regard to subprime loans.<sup>2</sup> Indeed, LLPAs were introduced in April 2008 “to help offset the risks borne by Fannie and Freddie Mac.”<sup>3</sup> Yet here we are almost fifteen years later, with Fannie Mae and Freddie Mac *still* in conservatorship, and you have decided to use those LLPAs for more social engineering rather than as the risk-limiting tool they were intended to be.

Subsidizing high-risk home buyers with this unprecedented increase in the LLPA rate will inevitably lead these higher-risk borrowers to buy homes, only to be led into an already deflating real estate market and a possible recession. The entire country will end up paying for what appears to be a politically motivated policy.

All of us—citizens and elected officials alike—have a strong interest in the well-being of the residents of our states. Ensuring a strong and durable economy is one of the best ways to allow the residents of our states to thrive. But as the attorneys general of our respective states, we also have a special duty to worry about the health of our courts and law enforcement systems. And we know from the last mortgage crisis that, on top of economic misery, the road you have chosen leads to courts clogged with foreclosures and government resources spent chasing predatory lenders.

In conclusion, this is not just a punitive policy to Americans who have built up a good credit score, regardless of wealth. This easy-money, short-term-thinking approach also gives a false sense of opportunity to high-risk borrowers. We implore you to rethink this policy, look beyond short-term political considerations, and consider the detrimental long-term impact of this for all Americans.

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<sup>2</sup> *E.g.*, Financial Crisis Inquiry Comm’n, Dissenting Statement 454–57 (Jan. 2011); Charles Duhigg, *The Reckoning: Pressured to Take More Risk, Fannie Reached Tipping Point*, N.Y. Times, Oct. 4, 2008; Carol D. Leonnig, *How HUD Mortgage Policy Fed the Crisis*, Wash. Post, June 10, 2008; see also *SEC v. Syron*, No. 11 Civ. 9201 (RJS) (S.D.N.Y.) (SEC enforcement action against Fannie Mae and Freddie Mac executives).

<sup>3</sup> Aimee Picchi, *Mortgage Fee Structure for Some Homebuyers Is Changing This Month. Here’s How.*, CBS News Money Watch, May 1, 2023, <https://www.cbsnews.com/news/mortgage-fee-structure-2023-llpa-credit-score-buying-a-home/>.

Sincerely,



Kris W. Kobach  
Kansas Attorney General



Steve Marshall  
Alabama Attorney General



Tim Griffin  
Arkansas Attorney General



Chris Carr  
Georgia Attorney General



Brenna Bird  
Iowa Attorney General



Raul R. Labrador  
Idaho Attorney General



Todd Rokita  
Indiana Attorney General



Daniel Cameron  
Kentucky Attorney General



Jeff Landry  
Louisiana Attorney General



Andrew Bailey  
Missouri Attorney General



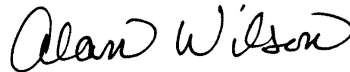
Lynn Fitch  
Mississippi Attorney General



Austin Knudsen  
Montana Attorney General



John M. Formella  
New Hampshire Attorney General



Alan Wilson  
South Carolina Attorney General



Jonathan Skrmetti  
Tennessee Attorney General



Ken Paxton  
Texas Attorney General



Jason Miyares  
Virginia Attorney General