

United States Senate

WASHINGTON, DC 20510-4606

December 17, 2019

The Honorable Mark A. Calabria
Director
Federal Housing Finance Agency
400 7th Street S.W.
Washington, D.C. 20024

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Dear Director Calabria and Secretary Mnuchin:

We write to better understand the Administration's proposed plan to release Fannie Mae and Freddie Mac (GSEs or Enterprises) from government conservatorship and your vision for the future of our Nation's housing finance market. The GSEs play a critical role in the U.S. housing market, providing the necessary liquidity and stability that makes the U.S. mortgage market the most dependable market in the world. This year the Senate Committee on Banking, Housing, and Urban Affairs held a number of hearings on our housing finance system. The message was clear – any reform must strengthen our housing finance system and provide the tools to address the nation's affordable housing crisis.

As housing finance reform discussions continue we believe that it is critical to maintain a system that provides certainty for borrowers, renters, investors, and lenders; that can be sustained in all economic conditions; and that continues to support working families as they buy and rent homes and build wealth. Any contemplated reforms should be thoughtful and focused on maintaining access to credit for creditworthy home buyers and renters in every community.

As members concerned with housing access and affordability, and the continued success of the secondary mortgage market, we request additional, detailed information regarding the Administration's plans to reform these entities and the analysis that supports these plans. Without additional information, Congress will be unable to fulfill its proper oversight role, or otherwise design policies to protect critical access and affordability to homeownership and rental housing.

Specifically, we request answers to the following questions.

- Please explain, in detail, the timeline, or benchmarks, by which the Administration intends to adopt reforms and release the GSEs from conservatorship. If multiple timelines are being considered, please provide all potential scenarios.
- Please explain, in detail, any and all administrative reforms that you believe are necessary at the GSEs prior to their release from conservatorship, and how those reforms fulfill the GSEs' charter obligations.

- Would you consider releasing the GSEs prior to full implementation of the enumerated reforms? If so, please provide your reasoning and under what circumstances you would be considering doing so.
- Please explain, in detail, what reforms or policy changes may be adopted as part of an amendment to the Preferred Stock Purchase Agreement (PSPA). What, if anything, prevents future modifications to these changes?
- Do you intend to maintain a line of credit with the Treasury outside of conservatorship through the PSAs? Would you maintain the current dollar amount of the line of credit or adjust to some other amount? What, if anything, prevents removing that line of credit in the future?
- Please explain, in detail, the legal basis for using a consent agreement to accelerate the release of the GSEs from conservatorship. Under what conditions does the Administration plan to use the consent agreement to further the release of the GSEs from conservatorship, and what reforms or restrictions would be considered under this agreement?
- What, if anything, prevents a future modification to the consent agreement?
- What capital levels do you believe would be necessary for purposes of releasing the GSEs from conservatorship?
- Would you consider releasing the GSEs from conservatorship before they have built the level of capital you require of them as their regulator? If so, please explain why you would release them prior to having met their regulatory capital requirements?
- How does the Administration plan to raise the level of capital that FHFA deems necessary and on what timeline? Would the Administration consider releasing the GSEs from conservatorship prior to achieving a threshold capital level, and if so, what level would that be?
- Fannie Mae and Freddie Mac make valuable contributions to the housing market, in part due to investments made over the past decade. Would the Administration consider reducing the value that the GSEs provide to American taxpayers in order to expedite the release of the GSEs from conservatorship?
- Would the Administration consider changing the repayment requirements of the existing PSPA? If so, how?
- Does the Administration plan to reduce the GSEs' footprint? If so, what specific product lines and services would see an increase in price or be curtailed or eliminated at the GSEs? What is the statutory authority for such a plan? Please provide any models or

assessment that FHFA has conducted to analyze the impact of these changes on prospective homeowners, existing homeowners, renters, and the cost and availability of credit across mortgage products.

- Do you believe that the GSEs will provide a smaller cross-subsidy in the mortgage market if their role is reduced, as you propose? If not, how would they be able to provide the same level of cross-subsidy and nationwide access in both the single-family and multifamily markets in a reduced role? If so, what do you propose to do administratively to ensure that they are still able to provide as much support for low- and moderate-income lending and access to credit among underserved communities?
- Will the GSEs continue to contribute annually to the Housing Trust Fund and Capital Magnet Fund throughout any transition to your desired end state? Under what circumstances would you potentially consider allocations to these trust funds as preventing the GSEs from completing a capital restoration plan? Do you expect to deem either GSE as “undercapitalized”?
- Does the Administration intend to undertake a new rulemaking for the Enterprise Housing Goals for mortgages purchased by the GSEs? Will the scope of that rulemaking exceed the scope of the previous rulemaking, which recalibrated numerical purchase goals but did not alter the fundamental structure of the goals?
- Will the Administration seek to amend the Duty to Serve rule, or otherwise amend the types of products and services the Enterprises may offer to meet their Duty to Serve requirements?
- What analysis has the Administration undertaken to understand the impact of any reforms or changes in product offerings or pricing to the profitability of the GSEs? What analysis has it performed to understand the impact of such changes on housing affordability, g-fees, or potential market disruptions across all segments of borrowers?
- What analysis has the Administration performed to model specific effects of any reforms or changes in product offerings or pricing on access to mortgage credit for low- and moderate-income homebuyers and renters; first time homebuyers; or borrowers of color? Please explain in detail any assumptions underlying your analysis. If you have not conducted such an analysis, please explain how you could move forward on any of the proposed provisions without such calculation while also fulfilling the GSEs’ statutory mandates to “provide ongoing assistance to the secondary market for residential mortgages (including activities related to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing” and “promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas).”

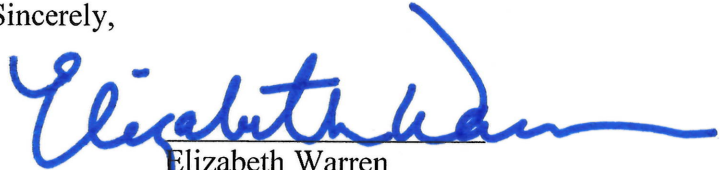
- Please describe any concerns raised by investors with releasing the GSEs from conservatorship without an indefinite government backstop and any response you might have to those concerns.
- Please provide FHFA's analysis of impacts on mortgage costs and the To-Be-Announced market from releasing the GSEs from conservatorship or any other changes to the GSEs' current status without a line of credit or other catastrophic backstop.
- Will the Administration conduct a fair housing analysis of all proposed policy changes? If not, why not? Has the Administration already conducted such an analysis of its proposed policy changes?

We appreciate your attention to this important matter and look forward to your prompt response to our questions.

Sincerely,



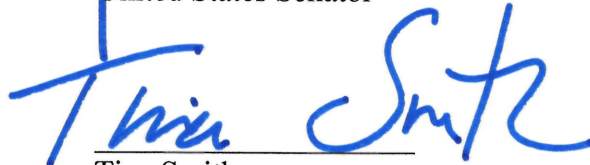
Mark R. Warner
United States Senator



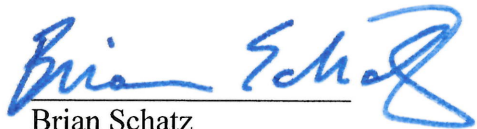
Elizabeth Warren
United States Senator



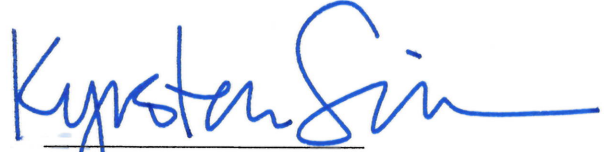
Sherrod Brown
United States Senator



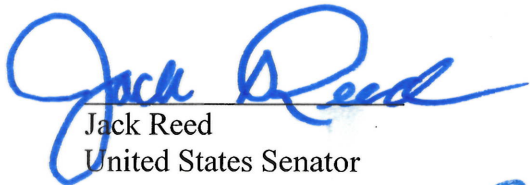
Tina Smith
United States Senator



Brian Schatz
United States Senator



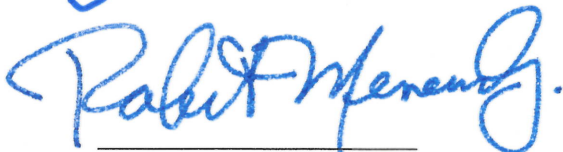
Kyrsten Sinema
United States Senator



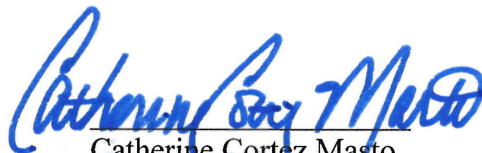
Jack Reed
United States Senator



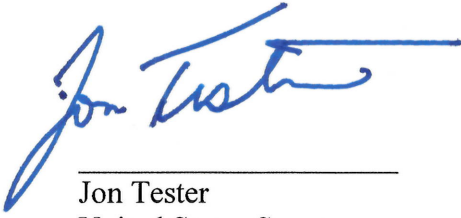
Doug Jones
United States Senator



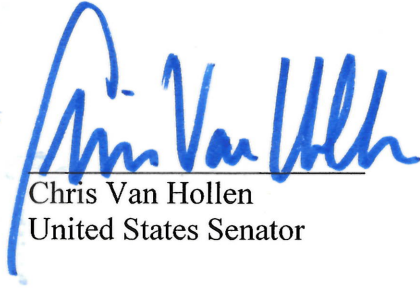
Robert Menendez
United States Senator



Catherine Cortez Masto
United States Senator



Jon Tester
United States Senator



Chris Van Hollen
United States Senator