



COMMUNITY
Home Lenders Association, Inc.

CHLA Plan for GSE Reform

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Most of the necessary reforms to Fannie Mae and Freddie Mac have already been completed – including: (1) Ability to Repay/QM (to end no doc loans), (2) Credit risk sharing (to shift risk to the private sector and for market discipline), (3) Portfolio wind-downs (to end interest rate risk), (4) a strong regulator (FHFA vs. OFHEO), & (5) Taxpayer Compensation for a federal backstop.

Following is CHLA's proposal for administrative actions for the GSEs to exit conservatorship:

FHFA Should Suspend the Profit Sweep

The artificial sweep prevents Fannie and Freddie from having a capital buffer and should be suspended as an interim step while a plan to exit conservatorship is being developed.

FHFA Should Finalize Capital Rule

FHFA should finalize their rule to establish capital standards for Fannie/Freddie – setting levels reflecting their status as a quasi-insurer of mortgage loans as opposed to a commercial lender.

FHFA Should Direct GSEs To Develop Capital Restoration Plans

FHFA should use HERA authority to direct the GSEs to develop plans to exit conservatorship.

CFPB Should Use QM Rulemaking to Facilitate a Utility Model

CFPB should augment the QM Patch replacement it creates to give FHFA authority to expand or contract it for the GSEs, to facilitate a Utility model to keep GSEs from going off the rails.

Congress Should NOT Authorize Additional GSE Charters

New GSE charters are inconsistent with a Utility Model, would increase taxpayer risk, and would hurt small lender access, due to risks like vertical integration with Wall Street Banks.

FHFA Should Continue G-Fee Parity and Bar Up-Front Risk Sharing

FHFA should continue G-Fee parity, extend it to MI pricing, and bar up-front risk sharing – all in order to preserve small lender access in order to help consumers by maximizing competition.

Federal Backstop - the Federal Line of Credit Should be Continued

The line of credit should be preserved, so that Fannie and Freddie can operate in a crisis.

Congress Should adopt Provisions Necessary to Complete Reform:

- (a) Create Insurance fund to cover federal backstop risk – funded by assessments on loans.
- (b) Authorize federal guarantee of Fannie/Freddie Mortgage Backed Securities (MBS).
- (c) Preserve Housing Goals (as lookback, not prospectively) to ensure GSEs can't cherry pick.
- (d) Preserve and increase funding for the Housing Trust Fund and the Capital Magnet Fund.
- (e) Codify existing reforms – such as credit risk sharing, portfolio limits, and G Fee parity.
- (f) Authorize any additional authorities that are necessary to complete GSE reform.