Institute *for* Policy Integrity
NEW YORK UNIVERSITY SCHOOL OF LAW

EDF ENVIRONMENTAL DEFENSE FUND™
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April 19, 2021

VIA ELECTRONIC SUBMISSION

To: Federal Housing Finance Agency

Re: Climate and Natural Disaster Risk Management at the Regulated Entities: Request for Input

The Institute for Policy Integrity ("Policy Integrity") at New York University School of Law[1] and Environmental Defense Fund ("EDF") respectfully submit the following materials to the Federal Housing Finance Agency ("FHFA") in response to FHFA's request for information on the risks that climate change and natural disasters pose to the housing finance system.[2] Policy Integrity is a non-partisan think tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, economics, and public policy. EDF is a non-partisan, non-governmental environmental organization representing over two million members and supporters nationwide. Since 1967, EDF has linked law, policy, science, and economics to create innovative and cost-effective solutions to today's most pressing environmental problems.

In response to item 6 of the Request for Input, which invites interested parties to submit research that is relevant to climate and natural disaster risk, we have attached our recent report, "Mandating Disclosure of Climate-Related Financial Risk," forthcoming in the *NYU Journal of Legislation and Public Policy*. Our work surveys the variety of risks that U.S. corporations, including those in the housing sector, face from climate change's physical effects and policy and market consequences. We share the concerns raised by the growing community of experts, regulators, and investors who believe that the failure to disclose and address these risks threatens the stability of housing finance markets and the broader economy.

Additionally, our report highlights the importance of providing investors and regulators with information on climate risk that is *comparable, specific,* and *decision-useful*. It provides several process-based recommendations for developing disclosure rules that elicit high-quality climate risk information. We support the construction of a climate risk disclosure regime that provides investors and the public with robust information through line-item disclosure requirements and principles-based disclosure standards where necessary.

[1] This document does not purport to present New York University School of Law's views, if any.
[2] Climate and Natural Disaster Risk Management at the Regulated Entities: Request for Input (Jan. 2021), https://www.fhfa.gov/Media/PublicAffairs/Documents/Climate-and-Natural-Disaster-RFI.pdf.

One option FHFA may consider as it works to obtain information and to support its stress testing and reporting standards is close collaboration with other interested agencies, including (but not limited to) the Securities and Exchange Commission ("SEC"), the National Oceanic and Atmospheric Administration ("NOAA"), and the Federal Reserve.[3] This coordination effort could occur, for example, through an interagency working group convened by the Financial Stability Oversight Council.

Coordination across agencies may be beneficial here for two reasons: First, it can foster a unified regulatory approach, which reduces compliance costs for regulated entities and ensures that overlapping disclosures provided to different financial regulators are similar in structure and quality. The SEC has already initiated proceedings on climate risk disclosure rules and may be able to share insight from that process with FHFA.[4] Second, coordination can facilitate information sharing by agencies with different areas of expertise. Agencies like NOAA and the Environmental Protection Agency, for example, have relevant expertise on climate modeling techniques, and may be better able to determine which warming scenarios are most useful to consider and which modeling assumptions are most reasonable.

In sum, Policy Integrity and EDF support efforts to build greater resiliency in the housing market through a mandatory climate risk disclosure regime. Drawing upon our previous work on climate risk, we also share information related to interagency coordination on questions of stress testing and standard setting.

Respectfully submitted,

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Attachment:
Madison Condon et al., *Mandating Disclosure of Climate-Related Financial Risk*, 23 N.Y.U. J. Legis. & Pub. Pol'y (forthcoming 2021)

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[3] *See* Madison Condon et al., *Mandating Disclosure of Climate-Related Financial Risk*, 23 N.Y.U. J. LEGIS. & PUB. POL'Y (forthcoming 2021) (manuscript at 37–38).
[4] Public Statement, Allison Herren Lee, Acting Chair, Securities & Exchange Comm'n, Public Input Welcomed on Climate Change Disclosures (Mar. 15, 2021), https://perma.cc/92PA-6XSV. The public notice asks for public comment on questions similar to those posed by FHFA, including use of the SASB standards. *Id.*