HOUSING POLICY COUNCIL

1750 K STREET, N.W.
SUITE 300
WASHINGTON, D.C.
20006

March 13, 2022

Sandra Thompson
Acting Director
Federal Housing Finance Agency
400 Seventh Street, SW
Washington, DC 20219

Dear Acting Director Thompson:

Thank you for the opportunity to comment on FHFA's draft Strategic Plan. The Plan focuses FHFA's strategic goals on its core responsibilities for promoting the safety and soundness and the public mission of the housing government-sponsored enterprises.

The Housing Policy Council[1] suggests that FHFA consider going a step further in its strategic planning to take a more explicit role in shaping the future of housing finance. We also offer a few observations about the Means and Strategies for accomplishing the first two goals.

Preparing for tomorrow while fulfilling today's responsibilities

FHFA's proposed strategic goals, and the means and strategies for achieving them, are in harmony with FHFA's mission and they directly address today's priorities. The Housing Policy Council suggests that FHFA do more than focus on current priorities in its strategic plan. FHFA has a significant opportunity to encourage all stakeholders in the housing finance system – lenders, secondary market participants, advocates, counselors, policymakers, and, of course, current and future homeowners – to prepare for tomorrow's housing finance system. That includes evaluating future securitization options, the conforming loan limit, how Enterprise actions intersect with the FHA program and the private label market, and, of course, a post-conservatorship marketplace.

While not all these things are in FHFA's direct control, FHFA can provide all stakeholders, and especially policymakers, with keen insight on the system's current path and options and opportunities to alter that path in ways that would help accomplish each of the strategic goals. And FHFA does have a direct role in ensuring the Enterprises do not expand into market segments traditionally served by FHA or private capital. Loan limits, pricing decisions, and the New Products and Activities rule, are all examples of where strategic decisions by FHFA will directly affect the broader marketplace.

HPC encourages FHFA to incorporate into its plan, either in the means and strategies for accomplishing its proposed goals, or as a stand-alone goal, an active role in articulating policy choices and identifying barriers to continued improvement in housing finance. In making this recommendation, HPC is not asking FHFA to return to a path of ending the conservatorships through administrative action. HPC

[1] The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers, mortgage and title insurers, and technology and data companies. HPC advocates for the mortgage and housing marketplace interests of its members in legislative, regulatory, and judicial forums. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families.

continues to believe a legislated resolution is the best course. But FHFA can encourage and contribute to the development of a viable legislative path and HPC encourages it to do so.

Goal 1 – Securing safety and soundness

Objective 1.3 – preserving and conserving Enterprise assets – identifies “a significant amount of credit risk transfer” and “pricing frameworks to enhance safety and soundness” as means and strategies. HPC supports both efforts but notes they are, in fact, closely related. Investors in credit risk transfer transactions carefully assess the underlying credit risk of the mortgage pool and price credit risk transfer transactions accordingly. That makes it imperative that FHFA oversee Enterprise pricing while they remain in conservatorship to ensure that guarantee-fee pricing aligns with risk. In effect, FHFA should encourage a pricing structure that approximates that which would be produced by a purely private market assessing risk, just as it took a similar approach in establishing the Enterprise capital framework.

Such an approach is consistent with the statutory charge given FHFA in the Temporary Payroll Tax Cut Continuation Act of 2011.[2] It also recognizes the power of the market’s pricing signal to allocate capital and convey information about risk. That benefits borrowers by conveying meaningful and accurate information about risk.

Goal 2 – Promoting access to affordable and sustainable housing

The Housing Policy Council shares FHFA’s goal of improving affordable housing opportunities and we recognize the importance of ensuring that any such efforts are sustainable. That is, they should not impose undue risks on the families being assisted. Moreover, there is a macroeconomic stability aspect to the idea of sustainability. Illiquid or unstable markets threaten the goal of affordability and access.

HPC generally supports the means and strategies outlined, including the importance of making data available and encouraging new technologies that may improve underwriting, enhance risk assessment, and lower costs. We believe FHFA can and should take this a step further to include promoting the housing finance system’s stability and liquidity as a prerequisite to achieving this strategic goal. Liquidity is the lifeblood of housing finance. Absent deep and liquid markets, market stability itself is hard to achieve and certainly the goal of expanding home ownership opportunities will suffer.

Thank you for considering these suggestions regarding the draft FHFA Strategic Plan. HPC and its member companies remain committed to the housing finance system’s safety and soundness and to continually improving its ability to provide sustainable home ownership opportunities for all Americans wanting to own their own home. We look forward to working with and supporting FHFA in its efforts to promote these same goals.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
President

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[2] Temporary Payroll Tax Cut Continuation Act of 2011, Pub. L. No. 112-78, §401, 125 Stat. 1279, 1287 (“…The amount of the increase required under this section shall be determined by the Director to appropriately reflect the risk of loss, as well the cost of capital allocated to similar assets held by other fully private regulated financial institutions.”).