



October 13, 2016

Robert C. Ryan  
Acting Deputy Director  
Division of Conservatorship  
Federal Housing Finance Agency  
400 7th St SW, Washington, DC 20024

**Re: Joint Trades Response to Credit Risk Transfer RFI**

Dear Mr. Ryan,

The American Bankers Association, the Association of Mortgage Investors, the Housing Policy Council of the Financial Services Roundtable, the Mortgage Bankers Association, the Securities Industry and Financial Markets Association, and the Structured Finance Industry Group (the “Joint Associations”) appreciate this opportunity to write in response to FHFA’s Request for Information on the GSE’s credit risk transfer programs (CRT).<sup>1</sup> This letter sets forth core principles that should be a central focus of FHFA’s efforts with respect to CRT. Each of the Joint Associations plans to submit its own comment letter on CRT; these letters will contain a broader range of comments. Each of the Joint Associations supports a vibrant market for both front-end and back-end solutions, and believes that improvements can be made regarding the transparency of CRT efforts. We address each of these issues in the following discussion.

**First, the Joint Associations believe it is most important that FHFA continue to follow a path that allows for continued experimentation and refinement of the GSEs CRT programs.** It is not yet the time, and may never be the time, to “pick a winner”. These markets, including the oldest CRT programs STACR and CAS, are new. The GSEs have successfully established a foundation for future efforts to share mortgage credit risk between the public and private sector, but by no means are these markets mature, and not all fruitful avenues have been pursued at this time. We believe there will be new structures, both front-end and back-end, that will be worthy of study in the coming months and years. Market forces should be allowed to price and refine these programs. What this means for FHFA is that it must allow and indeed encourage the GSEs and market participants to develop new structures that are

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<sup>1</sup> See last page for descriptions of the Joint Associations.

accessible to broad segments of the primary market. At the same time, efforts should be made to make the existing transactions more homogeneous and programmatic. The Joint Associations believe that proposed new approaches must be carefully vetted and qualified to ensure that liquidity in CRT markets is not needlessly fractured.

**Secondly, FHFA must ensure that the GSEs maintain a level playing field for all prospective lenders and investors, regardless of business model.** Otherwise, the structure of the pilot may result in skewed market signals that only partially reflect the underlying credit risk. Deal terms should be accessible to participants of all sizes on equivalent terms. Additionally, pledged collateral and capital should be subject to the same analysis and economic terms for all participants, regardless of size or business model. Providing viable CRT structures on equal terms for all approved Seller/Servicers will also ensure that the CRT programs preserve today's parity in credit pricing, i.e. guarantee fees and LLPAs.

**Thirdly, the Joint Associations believe that significant improvements should be made to the transparency of the GSEs' CRT programs.** The prime transparency focus is on the economics of the programs to the GSEs. Currently, outsiders are unable to determine the relative costs and benefits of the CRT programs; digging through financial disclosures does not provide needed insight. Given that CRT is expected to be a core component of any GSE reform legislation, it is critical that market participants and policymakers have visibility into the economics of various forms of CRT for the GSEs. Enhanced transparency will assist market participants in making fair comparisons, and ultimately determining what are the most efficient forms of CRT. We note that this transparency would not only include economic transparency, it would also include further transparency on the transactions themselves and on GSE historical data. However, FHFA should carefully vet any proposed enhancements to transparency with the industry to ensure that they do not engender unintended negative consequences.

In conclusion, we are grateful that FHFA has published this important request for comment and sought the input of market participants. Given the collaborative nature of the CRT programs, and their importance to housing finance over the long term, this is critical. Should you have any questions or desire further information or discussion, please do not hesitate to contact any of the undersigned organizations.

Sincerely,

The American Bankers Association  
The Association of Mortgage Investors  
The Housing Policy Council of the Financial Services Roundtable  
The Mortgage Bankers Association  
The Securities Industry and Financial Markets Association  
The Structured Finance Industry Group

## Descriptions of the Joint Associations

**The American Bankers Association** is the voice of the nation's \$16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$12 trillion in deposits and extend more than \$8 trillion in loans.

**The Association of Mortgage Investors (AMI)** is the industry voice for institutional investors and investment professionals with interests in mortgage securities ("RMBS"). Our members are mortgage investors entrusted with managing public and private pension funds, unions, endowments, and private investments. AMI represents these investors in the public policy debate on mortgage and housing finance issues. We work to ensure a transparent and functioning private mortgage market.

**The Housing Policy Council of The Financial Services Roundtable** is a trade association representing thirty-three of the leading national mortgage finance companies. Housing Policy Council member companies originate, service, and insure mortgages for consumers across the nation. The Housing Policy Council's mission is to represent the mortgage and housing marketplace policy views of its member companies in legislative, regulatory, and judicial forums.

**The Mortgage Bankers Association (MBA)** is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: [www.mortgagebankers.org](http://www.mortgagebankers.org).

**SIFMA** is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

**The Structured Finance Industry Group ("SFIG")** is a member-based, trade industry advocacy group focused on improving and strengthening the broader structured finance and securitization market. SFIG provides an inclusive network for securitization professionals to collaborate and, as industry leaders, to drive necessary changes, be advocates for the securitization community, share best practices and innovative ideas, and educate industry members through conferences and other programs. Members of SFIG represent all sectors of the securitization market, including issuers, investors, financial intermediaries, law firms, accounting firms, technology firms, rating agencies, servicers, and trustees. Further information can be found at [www.sfindustry.org](http://www.sfindustry.org).