

Restructure Fannie Mae & Freddie Mac and Encourage the Return of Private Capital

CONGRESSIONAL ACTION NEEDED

Restructure Fannie Mae and Freddie Mac to ensure that affordable mortgages are available to consumers in all types of markets, and to avoid a major disruption to the nation's economy that would result from the total collapse of the housing finance sector.

CONGRESSIONAL ACTIONS TO DATE

- The House Financial Services Committee held a hearing on March 19th titled "Sustainable Housing Finance: An Update from the Federal Housing Finance Agency on the GSE Conservatorship."
- The Senate Banking, Housing and Urban Affairs Committee held a hearing titled "Bipartisan Solutions for Housing Finance Reform."

WHAT TO TELL YOUR REPRESENTATIVES AND SENATORS

- Request that the chairmen of the House Financial Services Committee and the Senate Banking Committee hold hearings that focus on restructuring the secondary mortgage market, and that the emphasis of these hearings be the crafting of comprehensive bipartisan legislation that resolves the conservatorship of Fannie Mae and Freddie Mac.

ISSUE BACKGROUND

Fannie Mae and Freddie Mac were created to ensure that creditworthy borrowers had access to affordable mortgage capital no matter where they lived in the United States. For over 70 years, the system worked well, combining government support and private capital to bring the necessary funding to consumers in support of their homeownership needs. The system faltered during the housing collapse, and since 2008, Fannie Mae and Freddie Mac have been in conservatorship under the supervision of the Federal Housing Finance Agency (FHFA). FHFA

placed Fannie Mae and Freddie Mac into conservatorship "to help restore confidence in Fannie Mae and Freddie Mac, enhance their capacity to fulfill their [housing] mission, and mitigate the systemic risk that has contributed directly to the instability in the current market." During the last two sessions of Congress, there was a lot of discussion regarding the causes of the housing collapse, and the role that Fannie Mae and Freddie Mac played. There were also a large number of bills introduced, which attempt to resolve the conservatorship; however, there has been no significant effort to move any of these bills.

An Efficient and Adequately Regulated Secondary Market is Essential to Providing Affordable Mortgages to Consumers

The secondary market, where mortgages are securitized, is an important and reliable source of capital for lenders, large and small, and therefore for consumers. Without a secondary market, mortgage interest rates would be unnecessarily higher, and unaffordable for many Americans. In addition, a poorly functioning secondary market will impede both recovery in housing sector and the overall economy.

The Federal Government Must Clearly, and Explicitly, Offer a Guarantee of Some Mortgage Instruments

A federal guarantee is essential to ensure borrowers have access to affordable mortgage credit. Without government backing, creditworthy consumers will pay much higher mortgage interest rates and mortgages may at times not be readily available—as has happened in jumbo and commercial real estate loan markets.

The Government's Guarantee Should Ensure a Wide Range of Safe, Reliable Mortgage Products for Creditworthy Consumers

These mortgage products should include 15-year and 30-year fixed-rate loans, traditional adjustable-rate mortgages (ARMs), and other loan products that have stood the test of time and for which American homeowners have demonstrated a strong "ability to repay."