

# NAR Issue Brief

## FHFA Securitization Structure – GSE Reform

### Executive Summary

In September 2008, the Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac (the government-sponsored enterprises, or GSEs) into conservatorship. Since that time, FHFA has focused on providing stability to the mortgage market and minimizing losses on behalf of taxpayers. In February 2012, FHFA issued a Strategic Plan for the GSEs that outlined four goals, including building and updating the GSEs securitization infrastructure.

The FHFA released a white paper in October 2012 that outlined the creation of a common securitization platform that was being developed as part of FHFA's strategic plan. The white paper also included the creation of model agreements intended to bring greater standardization to the secondary mortgage market.

In early 2013, FHFA announced the continued development of a common securitization platform which included the creation of a new business entity that will operate a securitization platform independent from Fannie Mae and Freddie Mac. As opposed to rebuilding two proprietary infrastructures, FHFA is creating the new platform to operate and function as a market utility for the secondary mortgage market. FHFA is calling for the creation of the new, distinct entity to eventually allow for any lender, securities issuer or mortgage servicer that chooses to participate. The creation of the platform is a foundational element for secondary mortgage market reform that provides flexibility but will still require policy makers to decide the goals and direction of housing finance reform.

NAR has been supportive of FHFA's attempt to bring standardization, stability, and confidence in the mortgage market space that will facilitate the return of private sources of capital to the housing finance system.

### Key Elements of Future Structure

On March 4th, 2013, FHFA announced that the Fannie Mae and Freddie Mac would collaborate on the creation of a new entity that will consolidate many back-office functions, and eventually, issue mortgage-backed securities. Though fully independent, with its own executive and board of directors, the platform will initially be built and funded by the GSEs.

### Elements of the New Platform

- Distinct entity that will operate independent of Fannie Mae and Freddie Mac and may ultimately replace a number of GSE functionalities.
- Will function as a market utility that supports the mortgage credit business by securitizing home loans. Private participants could eventually participate for a fee.
- Will standardize common functions such as issuing securities, providing disclosures, paying investors, and disseminating mortgage related data.
- Still requires Congress to set forth the goals and direction for housing finance reform. Platform is flexible so that it could be privatized, merged into the government, or function as a utility.

## NAR Policy

- NAR is supportive of a self-sufficient infrastructure whereby safe, sound, transparent, and insured MBS may be packaged and sold.
- NAR recommends improvement of loan level and mortgage pool disclosures to market participants to enhance opportunities for private capital participation. This data is an essential foundation for investors to efficiently analyze and price mortgage credit risk.
- NAR supports FHFA's attempt to bring standardization, stability and confidence in the mortgage market space to facilitate the return of private sources of capital to the housing finance system.
- Continued industry and policy maker outreach is imperative in the continued development of the securitization platform.