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Mark Calabria
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

Dear Director Calabria:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), thank you for sharing your thoughts on your new role as Director, the status of the Enterprises, and housing finance reform. Your comments were enlightening and frank, which our members greatly appreciate.

NAR believes the FHFA must allow Freddie Mac and Fannie Mae (the GSEs or the Enterprises) to meet their public mission of supporting liquidity and broad access. The FHFA is correct to respond to potential risks at the Enterprises, but reforms must be well designed and thoroughly vetted before implementation. Private capital has returned to the market in large volumes through bank portfolios and investment in the GSE's credit risk sharing programs, yet more remains to be done. Curtailing the GSEs' footprint through fees or compensating factors in order to create markets for private mortgage investors should only be done with actual participants in mind, rather than in an aspirational attempt to generate a private market for mortgage products.

Of equal importance, this must be tempered with the Enterprises' public mission in mind. If not, the consequences will be higher costs and/or limited access for many otherwise credit worthy homebuyers. At a time with receding inventory levels and rising home prices, due diligence on all market reforms must be conducted and must proceed carefully. NAR, alongside 30 additional trade associations from across the banking and housing finance industries, voiced such concerns in a [joint coalition letter](#) to the FHFA this March.

In a similar vein, your comments discussion in recent weeks questioning the need for an explicit government guarantee raise concerns regarding the GSEs' ability to support the public missions delineated in their charters and maintain their low cost of capital in a future system. A curtailed or eliminated guarantee could raise costs and threaten access to credit in small and mid-sized towns when recessions or natural disasters hit. Dilution of the mission will also affect middle income homebuyers and underserved markets, exacerbating the lingering impacts of the subprime crisis on inequalities in homeownership. NAR strongly supports an explicit government guarantee and dedication to the public mission to ensure a sustainable future system for all creditworthy Americans.


Finally, NAR believes that an important step necessary to protect taxpayers is the creation of a Mortgage Market Liquidity Fund (MMLF). An MMLF could reside at the Treasury and be designated to receive funds sent to the Treasury from the Enterprises. The fund would take credit and accounting losses while under



conservatorship, but could be transformed to seed a catastrophic fund that would protect taxpayers in any future reformed system. This fund would allow the Enterprises to build capital for catastrophic losses while in conservatorship.

Thank you again for addressing NAR's members on May 14th. We look forward to working with you and would appreciate an opportunity to share thoughts on NAR's own plan to reform the secondary mortgage market. Please contact me or NAR Senior Policy Representative, Ken Fears, at 202-383-1066 or KFears@REALTORS.org, to discuss these priorities in more detail. Thank you for your leadership on behalf of REALTORS® and homebuyers across the country.

Sincerely,

A handwritten signature in black ink, appearing to read "John Smaby". The signature is stylized with a large, sweeping initial "J" and a long, horizontal flourish extending to the right.

John Smaby
2019 President, National Association of REALTORS®