

# White House Reform Plan and Reorganization Recommendations

June 29, 2018

## LINK TO FULL WHITE HOUSE PLAN:

<https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf>

The Trump Administration released a proposal that would reorganize certain federal agencies. Citing efficiencies and eliminating redundancies, the proposal would merge some departments and move some functions from one agency to another. Of particular interest to the real estate industry are proposals to privatize Fannie Mae and Freddie Mac (the so-called government sponsored enterprises, or GSEs), and provide them and future competitors access to an explicit guarantee on their mortgage backed securities during "limited, exigent circumstances." The proposal would also move the Department of Agriculture's housing programs to the Department of Housing and Urban Development. It is important to note that this proposal is just that, any changes must be considered and approved by Congress before any final actions are taken.

## REFORM THE U.S. HOUSING SYSTEM – Fannie Mae, Freddie Mac, and FHA

The GSE's have been in conservatorship for over 10 years, and throughout that period, NAR has advocated for reforms that would ensure their soundness while retaining their essential role of keeping a steady flow of capital into the mortgage market.

**PROPOSAL:** The administration argues that its housing finance reform proposal would transform the way the federal government delivers support for the U.S. housing finance system by ensuring more transparency and accountability to taxpayers, minimizing the risk of taxpayer-funded bailouts, while maintaining responsible and sustainable support for homeowners. The housing finance reform proposal would end the conservatorship of Fannie Mae and Freddie Mac, revoking their charters and duty to serve, reducing their role in the housing market, and providing an explicit, limited federal backstop that is on-budget and apart from the federal support for low- and moderate-income homebuyers. Homebuyers would pay a fee for the federal backstop and a fee to support low and moderate-income home buyers.

**NAR POSITION:** NAR opposes this proposal and supports having Fannie and Freddie replaced by a non-shareholder owned government authority(s) subject to tighter regulations rather than reducing their role. NAR advocates that such entities be managed in a way to encourage private capital participation and supports an explicit government guarantee to ensure the availability of long term, fixed-rate mortgage products (i.e. 30-yr fixed-rate mortgage).

In addition, while the proposal would direct the homebuyer fee to HUD and FHA to provide "targeted subsidies for low- and moderate-income buyers", NAR strongly opposes any changes that would limit the use of the FHA single-family mortgage insurance program to buyers under certain income thresholds or solely first-time buyers.

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## REORGANIZATION OF FEDERAL DEPARTMENTS

### Departments of Education (ED) and Labor (DOL)

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**PROPOSAL:** The Administration's proposal merges the ED and DOL into a single Cabinet agency, the Department of Education and the Workforce (DEW). The new agency would be charged with meeting the needs of American students and workers, from education and skill development to workplace protection to retirement security. Merging ED and DOL would allow the federal government to address the educational and skill needs of American students and workers in a coordinated way, eliminating duplication of effort between the two agencies and maximizing the effectiveness of skill-building efforts.

**NAR POSITION:** NAR does not have specific policy on such a merger but supports a number of specific issues within the jurisdiction of each of these departments including:

- Implementation of association health plans (DOL);
- Clarity on misclassification of employees vs independent contractors, without broadening (DOL); and,
- Streamlining, simplification, and increased borrower education in student loan programs (ED).

As such, the outlined proposal must not discourage efforts to further these policies.

### Departments of Commerce (DOC) and Labor (DOL)

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**PROPOSAL:** The U.S. Statistical System is composed of 13 principal statistical agencies across the federal government. Three of these agencies - the U.S. Census Bureau (Census), the Bureau of Economic Analysis (BEA), and the Bureau of Labor Statistics (BLS) - account for 53 percent of the System's annual budget of \$2.26 billion, and share unique synergies in their collection of economic and demographic data and analysis of key national indicators. Reorganizing these agencies under the DOC would increase cost-effectiveness and improve data quality, while simultaneously reducing respondent burden on businesses and the public.

**NAR POSITION:** NAR does not have specific policy on such a proposal but utilizes much of the data from these statistical agencies for federal advocacy and research purposes. As a result, any weakening or elimination of the collection and dissemination of such resources may detrimentally affect NAR initiatives and projects.

### Departments of Agriculture (USDA) and Housing & Urban Development (HUD)

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**PROPOSAL:** The proposal moves the housing programs of the USDA to HUD to foster a more integrated approach to homeownership and rental housing programs by consolidating oversight and policy direction under one agency.

**NAR POSITION:** NAR strongly opposes combining the Rural Housing Service (RHS) with HUD. NAR is concerned that the uniqueness of rural communities, and the loans to serve them, will be lost at HUD.

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## Departments of Defense (DOD), Transportation (DOT) and Interior (DOI)

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**PROPOSAL:** Under the proposal, the Army Corps of Engineers Civil Works division would move out of the Defense Department and into the departments of Transportation and the Interior. The Army Corps has a broad domestic portfolio that includes wetland permitting, management of inland waterways and reservoirs, flood control and responses to natural disasters. The proposal would move the Corps' navigation management to the Department of Transportation, and the rest of the Civil Works' missions would be moved to Interior.

**NAR POSITION:** Moving the wetlands permitting functions out of the Army Corps and into the Department of Interior will help streamline the permitting process and ultimately reduce regulatory burdens on real estate development. Moving navigation management and flood control to the Department of Transportation would place a single federal agency in charge of maritime transportation investments and large infrastructure projects.

## Departments of Commerce and Interior (DOI)

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**PROPOSAL:** The DOC's Marine Fisheries Service (NMFS) would be merged with DOI's U.S. Fish and Wildlife Service (FWS).

**NAR POSITION:** Consolidating the administration of the Endangered Species Act (ESA) and Marine Mammal Protection Act (MMPA) in one agency would combine the Services' science and management capacity; allow for more consistent fisheries and wildlife policy; and improved service to stakeholders and the public, particularly on infrastructure permitting.

## Environmental Protection Agency (EPA)

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**PROPOSAL:** The proposal aims to reduce EPA's oversight of state regulators to focus on "national consistency" and provide technical assistance to states. This would provide greater regulatory flexibility to states to innovate to address state-specific environmental problems and allow the EP to focus on purely federal issues.

**NAR POSITION:** NAR supports pushing policy creation and implementation down to the lowest level of government, where appropriate and necessary.

## Small Business Administration (SBA) and Departments of Agriculture Transportation, Treasury, and Veterans Affairs (VA)

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**PROPOSAL:** This proposal consolidates the various federal programs that assist small business owners secure access to capital and federal government contracts into the SBA.

**NAR POSITION:** This consolidation would streamline small business programs under one agency and provide a "one-stop shop" for small businesses to obtain information, capital and regulatory relief.