



Treasury Markets Practices Group
Casey Spezzano
Chair
April 30, 2026

Dear Mrs. Spezzano:

Fannie Mae and Freddie Mac (the GSEs) play a crucial role in maintaining a liquid national market for mortgage finance throughout the housing cycle and in crises. On behalf of the National Association of REALTORS and Andrew Davidson and Company, we thank the Treasury Market Practices Group (TMPG) for its exploration of the impacts of ending the GSEs' conservatorship would have on the secondary mortgage market. The Consultative Summary Note, *Theoretical Implications for Agency MBS Market Liquidity and Functioning of any Potential GSE Ownership Structure Changes*, lays out theoretical implications for credit spreads, functioning of the unified mortgage-backed security (UMBS), and portfolio operations and requests comment. We share our perspective on each topic. In short, we largely agree, but a prerequisite for optimal performance of all three factors is a well-developed, and durable regulatory and governance structure after conservatorship, which has yet to be fleshed out. The TMPG must consider additional changes to lock-in their utility-like role and ensure a liquid, efficient, and resilient secondary mortgage market after conservatorship.

Minimized and Stable Credit Spreads

We agree with the TMPG that an inadequate federal guarantee is likely to widen GSE MBS spreads and destabilize them during financial stress. This undermines the GSEs' liquidity role, raises risk in the mortgage ecosystem and raises mortgage rates for consumers. Further, a reduced or unclear guarantee could reduce demand for GSE MBS from banks, REITS and sovereign investors due to investment guidelines and restrictions. Some recent analyses of post-conservatorship spreads focus on the inter-quartile average spread to the 10-year Treasury during calm markets but that's not enough. Those analyses should be paired with analyses of spreads during stress and catastrophic events. Indeed, some researchers have explored how to smooth the impact of catastrophic events on pricing under a non-explicit guarantee. These insights would be helpful to prepare for a future system under any guarantee structure. Finally, a high-quality guarantee is necessary, but

not sufficient to ensure low spreads and volatility through financial cycles and under stress.

The TMPG notes that the GSEs' market share surges during financial market stress, demonstrating that their access to global funding, federally imposed credit standards, and implied federal backstop combine for a uniquely resilient source of mortgage finance. Of course, this can only happen if the GSEs have a significant market presence at all times. Under conservatorship, GSE origination risk has been regulated resulting in standardized prudent underwriting for the market generally, which helps stabilize the greater mortgage finance ecosystem. Under conservatorship, risk transfer, appropriate oversight policies, transparency, accountability, and sound internal decision making combined to deliver both a reduced risk posture and the lowest possible durable spreads and mortgage rates. An effective structure to deliver this outcome outside of conservatorship is key.

Ensuring A Deep and Liquid Market TBA Market for GSE MBS

The existence of the TBA market, the ability to forward settle and hedge, along with prudent systemic underwriting standards, extends benefits to the mortgage finance ecosystem far larger than the value of a single transaction. Indeed, the 30-year fixed rate mortgage which fosters affordability and stability would not be possible without it. These externalities and resilience of the GSEs resemble a well-regulated utility and must be preserved as the government's role transforms from an owner/regulator to a clearer role of utility regulator.

The UMBS market has been a successful exploration of the challenges of syncing the two entities' MBS to meet good delivery standards. The challenges of maintaining matching prepay speeds and other factors must continue to be met every month. The UMBS market may be the most efficient asset-backed debt market in the world, but it is not remotely competitive. How can that be? The UMBS market has impervious entry barriers, trades on the TBA in part because of the GSEs' quasi-governmental status and their role in effectively regulating and managing the quality and policies controlling the UMBS market and has built enormous scale economies as a result. Opening UMBS to non-GSE originations or other types of securitizations would likely erode GSEs' ability to manage the quality of the UMBS and threaten the ability of the UMBS to trade on the TBA market.

Portfolios that Appropriately Balance Function and Risk

One success of the conservatorship was the regulatory mandate for the GSEs to sell most of the interest rate and credit risk they aggregate, limiting their retained portfolios in particular. This change greatly reduces their risk posture and taxpayer exposure and ended arbitrage of the federal guarantee that benefited shareholders. Today they act as stewards

of the GSEs' MBS and CRT debt markets, some of the most efficient non-sovereign debt markets in the world.

The GSEs should continue to programmatically offload as much credit and rate risk as economically viable after conservatorship and not retain rate or credit risk as a trading strategy. A portfolio is necessary to facilitate cash window operations, build securities, operate pilots and special programs (e.g. HARP or new product offerings in support of their mission), and to buy non-performing loans out of pools. The portfolios should be limited to a particular fraction of assets. Such limits would continue to prevent abuse of the federal guarantee. Opportunistic use of retained mortgage portfolios should be outside the purview of privatized GSEs and would likely be problematic for shareholder-owned entities in any case.

Effective Oversight and Governance are Critical

The Federal Housing Finance Agency (FHFA) was created in the wake of the subprime crisis and absorbed the expertise of several regulators in recognition of the immense oversight challenge posed by the GSEs and FHLBs. It has since made extensive reforms under conservatorship. Some of those reforms were made with special powers that exist only under conservatorship but would be crucial after conservatorship. Other entities that operate critical functions for debt and securities markets bear explicit utility status and their regulators enjoy prudential powers as conferred under Dodd-Frank.

Former FHFA Directors Mark Calabria and Sandra Thompson asked Congress for the power to oversee the GSEs' counterparties. In addition, private and public actors should be able to monitor the work of the GSEs. Origination and performance data on the entire books of business and portfolios should be freely available, along with information on the performance of the GSEs themselves and their critical counterparties. This transparency should help allay some common concerns about their role in the market, such as mission creep and opaqueness, and allow equity and debt investors to curb risky behavior.

It's arguable that the GSEs failed because shareholders put profits before charter, combined with a regulator that lacked the necessary authority. By contrast, privately owned and federally regulated financial services companies have equity at risk that provides the dynamism and human capital necessary to compete in the broader market. The regulator sets market-based regulatory capital, while private firms have price discovery and aligned incentives.

We envision privately owned and effectively regulated enterprises that put charter first subject to threshold returns. We foresee a regulator with the enforcement powers that FHFA currently has to set capital, market-based pricing practices, underwriting standards,

business lines and a low-risk posture where the GSEs continue to programmatically sell interest rate and credit risk.

The large benefit for taxpayers and investors of federally backed firms in limited markets involves a mutual tradeoff: stable returns and broad market share in exchange for slightly lower returns and a federal regulator empowered to establish bounds for capital and rate of return, business lines, and low risk posture. The regulator must prevent the GSEs from exploiting the Federal guarantee and to “stay in their lane” as an intermediary of credit and interest rate risk to the private market. Private ownership with equity at risk and independent governance optimizes charter duties and limits capricious regulatory behavior (e.g. mission creep), while providing best practices and price discovery. Shareholders benefit from predictable and stable returns, while taxpayers and homebuyers benefit from stability and affordability of an efficient system.

Much Progress, Much Remains to be Done

In summary, we agree with most points raised by the TMPG. We believe the Group’s objectives are best achieved by robust oversight and internal governance. Crucially, a federal guarantee is necessary but not sufficient. Regulated business practices and a low-risk posture combined with private stockholders and utility-oriented corporate governance are also required.

We look forward to further analysis by the TMPG and collaboration. If you have questions or comments, please feel free to contact Richard Cooperstein (rcooperstein@ad-co.com) or Ken Fears (kfears@nar.realtor).

Thank you for your consideration.

The National Association of REALTORS®

Andrew Davidson and Co., Inc.