



NAMMB Policy Position on Housing Reform

The nations housing system is seen as vital to a prosperous and grounded citizen. The roles of the GSE's (Freddie Mac and Fannie Mae) and the FHA insurance construct, have played in the housing market is without question. Collectively, with Ginnie Mae, they hold mortgages worth over \$6.17 trillion dollars. They are vital to the nations housing market. However housing reform legislation develops, NAMMB believes there should always be a role for one or both GSE's going forward. Many changes have occurred in the operations and oversight as a result of passage of the Housing and Economic Recovery Act of 2008 (HERA). The charters of the GSE's describe their mission well "promote access to mortgage credit throughout the nation by increasing liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing."¹ The United States government will always be the ultimate backstop for our nations housing stock and housing finance system no matter the changes developed in housing reform because that is one of the roles of our government.

NAMMB encourages Congress and the administration to advance on housing reform with the main focus being to find a way to maintain liquidity in the market and to protect the tax payer in the best manner possible knowing that ultimately the United States must always have a strong and liquid mortgage market.

NAMMB has 8 general positions on Housing Reform:

1. The GSE's will run out of capital in the first Quarter of 2018. NAMMB believes the FHFA should permit them to accumulate capital in order to "buy time" so the legislative process can move forward at a reasonable and carefully deliberate pace in order to minimize unintended consequences.
2. We agree that the two present GSE's should remain in the new paradigm but other entities could be created. Vertical integration should be prohibited from the secondary market to the primary market. Guarantors should be stand-alone companies and lenders should not be allowed to own controlling interests in Guarantors; All entities shall be regulated by FHFA and require to purchase adequate insurance from the Federal government in case of catastrophic failure or default.

¹ *Fannie Mae's charter is in Title III of the National Housing Act, 12 U.S. Code § 1716 et. seq. Freddie Mac's charter is in 12 U.S.C. §1451 et. seq.*

3. There should be an explicit Government guarantee after the new entities have used their capital in the event of a catastrophic financial event. Limit the explicit government guarantee to the eligible MBS, while prohibiting the extension of the guarantee to the equity or debt of the Guarantors; The government guarantee should be explicit, funded by appropriately priced insurance premiums, and limited only to the MBS issued by the Guarantors.
4. Need to provide guidance for the GSEs with regard to G-Fees. G-Fees should be used for mortgage reinsurance reserves and affordable housing initiatives. What would this do to Qualified Mortgage? This must be carefully transitioned from present (GSE may purchase non-QM mortgages) to a post-conservatorship world.
5. Smaller primary market players should be treated the same on pricing, g-fees and other market risk tools in order to keep a level playing field between large and smaller entities. The regulator should ensure that Guarantors provide equitable, transparent, and direct access for lenders of all sizes and types, and pricing and program participation should not be based on the loan volume or asset size of lenders;
6. Require the Guarantors to support an effective national affordable-housing strategy that helps meet the needs of low-income and underserved households and communities (see 7 below)
7. These legislative changes contemplated to the GSE's will set the mortgage construct for the next 30-40 years. The advances in mortgage and financial technology will bring to the market ideas and concepts we collectively have not thought about. NAMB urges the Committee to leave a channel open for the GSE's to accept these new technologies and Artificial Intelligence advances. In this conceptual thinking, NAMB believes Congress should permit the new GSE's to have access to certain products that help low- and moderate-income borrowers that may encompass direct primary market access via those that broker loans in the event affordable housing goals are not met by the primary market participants. In this way, these new entities would have a tool to ensure meeting affordable housing goals utilizing new financial constructs and business models.
8. The new GSEs entities should remain politically independent. They should not be permitted to lobby Congress, the Executive Branch or the states.

Fred Kreger, CMC

NAMB President

A handwritten signature in black ink, appearing to be 'FK', written over a light blue horizontal line.