

March 27, 2019

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Member Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Re: Chairman's Housing Reform Outline Hearings

Chairman Crapo and Ranking Member Brown:

The American Financial Services Association (AFSA)¹ commends the Senate Committee on Banking, Housing, and Urban Affairs for holding these important hearings on housing finance reform. As committee members know, Fannie Mae and Freddie Mac (the GSEs) were placed into conservatorship over ten years ago. AFSA agrees with the Chairman and others that even though the GSEs are currently earning profits, perpetual conservatorship is not sustainable. As such, AFSA urges Congress to adopt comprehensive GSE legislation.

Any GSE reform effort must encompass the following three principles: preservation of consumer choice, access to consumer credit, and lender stability. In addition to those principles, GSE reform should include: the recapitalization of Fannie Mae and Freddie Mac, a federal backstop of qualified GSE loans, G-fee parity, and an extension of the Qualified Mortgage (QM) patch.

Preserving consumer choice and access to credit is at the heart of AFSA's mission. Consumer finance markets work best when consumers can choose between providers based on price, convenience, or service. While post-crisis reforms in mortgage regulation have led to a greater prevalence of conservatively underwritten mortgage loans, GSE reform efforts should be tailored to maintain a broad base of lenders operating on a level playing field. In other words, while there may be somewhat less variety of mortgage products available today, the benefits to consumers of retaining competition among lenders should not be lost.

Lenders in the mortgage space crave stability, and stability in oversight, regulation, and secondary market conditions combine to help lower costs for consumers. GSE reform should be designed to preserve consistent market conditions for lenders of all sizes and structures as a means of keeping mortgage credit readily available.

¹ Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

If 2019 is indeed the time to restore the GSEs to a greater degree of independence, either alone or alongside other entities that will provide secondary market liquidity, AFSA urges that stakeholders place preservation of consumer choice and stability for lenders among the top priorities for any proposals.

AFSA also recommends that Congress work to recapitalize the GSEs, provide a federal backstop of qualified GSE loans, ensure G-fee parity, and mandate an extension of the QM patch. The recapitalization of Fannie Mae and Freddie Mac is critical to absorb losses and protect taxpayers. A buffer is needed to cover normal earnings variations and accounting adjustments. Codifying the Federal Housing Finance Agency's (FHA) administrative requirement of G-fee parity is critical for small mortgage lenders. Extending the QM patch, which is scheduled to expire in 2021, is crucial for mortgage lenders of all sizes. A large portion of current mortgage lending is dependent upon the QM patch. Sunsetting the QM patch could cause significant reductions in the availability of credit.

AFSA appreciates the committee's attention to this issue and encourages Members of Congress to adopt GSE reform. Please contact me by phone, 202-466-8606, or email, acarmichael@afsamail.org, with any questions.

Sincerely,



Ann Carmichael

Vice President, Congressional Affairs
American Financial Services Association