



## **Key Provisions in H.R. 1427, Reform Legislation for Fannie Mae, Freddie Mac and the Federal Home Loan Banks**

MBA has long supported GSE reform to ensure that GSEs are financially safe and sound and carry out their essential public mission of providing liquidity to the mortgage markets. To achieve these ends, MBA supports the establishment of an independent, fully empowered and well funded world class regulator for the GSEs.

The House Financial Services Committee recently took a significant step in this direction by passing H.R. 1427, a bill introduced by Committee Chairman Barney Frank (D-MA) and supported by a bipartisan majority of the Committee.

The bill is extensive and builds on proposals from past Congresses as well as discussions with the Administration at the end of last year. No legislation has yet been introduced in the Senate. However, since a new Senate bill is likely to build on S.190 from the last Congress, MBA will shortly provide a side-by-side analysis detailing key differences between H.R. 1427 and S. 190.

Key provisions of H.R. 1427 would:

- Establish a new independent agency to regulate Fannie Mae, Freddie Mac, and Federal Home Loan Banks (the Regulator) headed by a Director and advised by a Board of the Secretaries of HUD and Treasury, two appointees and the Director on overall policies;
- Charge the GSEs for the costs of their regulation and remove these charges from the Congressional appropriations process;
- Provide the Director greater authority to set both risk-based and minimum capital;
- Confer greater enforcement authority on the Director to ensure the GSEs are safe and sound, achieve their housing goals and otherwise carry out their statutory responsibilities;
- Authorize the Director to address the size and composition of the GSEs' portfolios to assure that they are consistent with the GSEs' missions and safety and soundness;
- Transfer mission regulation and housing goal responsibility from HUD to the regulator;
- Assign the regulator authority to approve new products under improved standards, including the opportunity for public comment, and also clarify the Director's authority to review ongoing GSE programs, activities, and products.
- Increase the conforming loan limits for high cost areas up to the lower of 150 percent of the conforming loan limit or the median price in an area.

- Permit the Director to adjust the conforming loan limit downward as well as upward based on house prices.
- Establish separate housing goals for single family housing (rental and owner-occupied) and multifamily housing with the single family goals including an enforceable refinance subgoal, replacing the current goals. Both goals are targeted to low- and very low-income families.
- Assign the Director responsibility to review disparities in interest rates between loans to minorities and non-minorities, and report patterns of such disparities to other regulators when they are not justified by the creditworthiness of borrowers.
- Establish an “Affordable Housing Fund” for 2007-2011, to be managed by the Director, to meet housing needs of very low-income and extremely low-income families, based on contributions by Fannie Mae and Freddie Mac calculated at 1.2 basis points on each GSE’s “average mortgage portfolio.” In 2007, the funds are earmarked for Louisiana and Mississippi to address housing needs from Hurricane Katrina and Rita. In succeeding years, funds would be allocated by formula to the states, D.C., federal territories, and federally recognized tribes for rental housing, homeownership and public infrastructure purposes related to such housing.
- Require each GSE to register at least one class of its stock with the Securities and Exchange Commission (SEC).

MBA applauds the 110th Congress’s attention to this important matter, welcomes the bill and strongly supports many of its key provisions.

As the legislation moves forward, MBA will seek some modifications, based on our members’ concerns, including deletion or modification of provisions affecting the conforming loan limits and assigning new fair lending responsibilities to the Director. At the same time, we will work diligently with the Senate and the Administration toward enactment of comprehensive GSE reform legislation.