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December 12, 2017

Oppose H.R. 4560, the "GSE Jumpstart Reauthorization Act of 2017"

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the undersigned organizations, we write to express our opposition to H.R. 4560, the "GSE Jumpstart Reauthorization Act of 2017." In particular, we object to Section 3 of the bill, which would force Federal Housing Finance Agency (FHFA) Director Mel Watt to make an unnecessary choice between two of the most important aspects of his job: a) protecting the financial stability of Fannie Mae and Freddie Mac (the GSEs); and b) ensuring that the GSEs serve the public good through the implementation of reasonable policies to promote affordable housing.

As you know, Director Watt has repeatedly voiced concerns about language in the 2012 revisions to the GSE Preferred Stock Purchase Agreements (PSPAs) that eliminate Fannie Mae's and Freddie Mac's capital buffers at the end of this year. Our organizations share his concerns. One of the key takeaways from the 2008 financial crisis was that financial institutions were required to increase their capital reserves, as they protect companies themselves and the overall system from the impact of temporary financial losses. While Director Watt has been working with Treasury to modify the 2012 amendments to the PSPAs, he has also indicated that he has the authority – and the responsibility, as conservator – to withhold GSE dividends to reestablish a capital reserve and to protect the financial soundness of the two companies.

Section 3 of H.R. 4560 would impose a drastic penalty if Director Watt were to take this step, by requiring that he suspend payments to the National Housing Trust Fund (HTF) in any fiscal year that he acts to reestablish a capital buffer. The HTF, which is funded through a small fee on GSE earnings, provides badly-needed grants to states to build and maintain rental housing for very low-income families, veterans, seniors, people with disabilities, and others at high risk of homelessness. In late 2014, Director Watt determined that Fannie and Freddie could begin making contributions to the HTF (six years after its enactment) without undermining their financial soundness, and in 2017 alone, the HTF provided \$220 million in badly-needed fund to help put a dent in the nation's housing affordability crisis.

The intent of Section 3 appears to be to deter Director Watt from reestablishing capital buffers within the GSEs. How this provides any kind of "jumpstart" to bipartisan housing finance reform is not clear. Indeed, the willingness of the Committee to take one of our nation's most important affordable housing programs as a "hostage" would undermine, not



promote, the development of a consensus around a comprehensive overhaul. As such, we urge you to reject this provision.

Thank you for your consideration. If you have any questions, please contact Rob Randhava, Senior Counsel at The Leadership Conference on Civil and Human Rights, at (202) 466-3311.

Sincerely,

Center for Responsible Lending
The Leadership Conference on Civil and Human Rights
National Community Reinvestment Coalition
National Fair Housing Alliance
National Urban League