

June 18, 2018

The Honorable Mel Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Watt:

The signatories below represent civil rights organizations and trade associations of community banks, builders, and independent mortgage lenders.

Under your leadership, Fannie Mae and Freddie Mac have made extraordinary strides toward achieving the safety and soundness requirements under the Housing and Economic Reform Act of 2008 (HERA). We applaud your most recent development towards this end, the promulgation of a new risk-based capital and minimum-leverage capital rule.

While we anticipate submitting comments on this new rule, we are writing to ask that you take two additional but vitally important steps to continue the progress to date: (1) direct Fannie and Freddie to develop capital restoration plans, consistent with the capital and leverage standards being developed, and (2) suspend the net worth sweep in order to increase the GSEs' capital buffer.

We believe that ten years in conservatorship is quite enough. Under HERA, FHFA is legally obligated to ensure liquidity, sustainability, and affordability in the mortgage market. Accordingly, FHFA is statutorily granted great latitude in achieving these goals administratively. HERA clearly grants FHFA the final authority to direct the GSEs to develop capital restoration plans, requires Fannie and Freddie to rebuild capital beyond the current 0.1% ratio, and end the conservatorships.

Development of capital restoration plans and suspending the net-worth sweep are crucial first steps to rebuilding capital buffers, and to accelerating the date when the GSEs can finally be released from conservatorship as safe, reformed, regulated mortgage aggregators for lending institutions of all sizes and charters. These first steps help protect the taxpayers and help enable the GSEs to fulfill their statutory mandate of facilitating the financing of affordable housing for low- and moderate-income families while maintaining a strong financial condition. As stated above, HERA gives FHFA the authority to take these actions.

We continue to support GSE reform and we are mindful of your public statements that Congress needs to have an important role in whether and when to end the conservatorship. To date, little evidence exists of a consensus in the House or Senate for a complex overhaul, which means continued stagnation on resolving the conservatorship unless FHFA continues to take constructive steps to further reform the GSEs.

Moreover, the mere development of such recapitalization plans does not in any way interfere with the prerogatives of Congress to adopt GSE reform legislation. In fact, we believe such plans would enhance Congress' understanding of what recapitalization entails, which would be a benefit to Congress as it looks for the best policies in this area.

We are optimistic that under your leadership, the FHFA will do what is necessary to ensure the GSEs continue to operate effectively and efficiently in a safe and sound manner. Thank you for your attention to the critical issue of GSE capital restoration and the opportunity to provide you with our perspective. If you have any questions or concerns, please do not hesitate to contact us directly.

Yours truly,

Community Home Lenders of America

Independent Community Bankers of America

The Leadership Conference on Civil and Human Rights

Leading Builders of America

NAACP

National Community Reinvestment Coalition

National Urban League

Prosperity Now

The Community Mortgage Lenders of America