

Talking Points on the Trump Administration's GSE Proposal

- The Trump Administration has released a blueprint for getting the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, out of conservatorship and for modernizing the Federal Housing Administration (FHA).
- The plan involves potential administrative, regulatory, and legislative changes—and it's the start of a process we expect to take several years.
- The administration's plan won't have any effect on housing markets in the short term.
- NAR has been in direct meetings with the administration and the Federal Housing Finance Agency, which oversees the GSEs, and we will continue to play an active role in the process.
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- We applaud the movement forward on getting Fannie Mae and Freddie Mac out of conservatorship, and we'll be looking for areas of collaboration with the administration and with Congress. But we'll also share concerns if we see provisions that have the potential to negatively impact housing markets.
- Potential areas of concern will be in capital requirements for the GSEs (increases will raise borrowing costs); guidelines for second and vacation homes; and underwriting requirements with the expiration of the so-called QM patch in January 2021.

Why you should care

- Reforms to FHA and the secondary mortgage market have the potential to affect both the availability and the cost of mortgage credit for your clients.

Background

- Since 2008, as a consequence of the mortgage market meltdown, secondary-mortgage market giants Fannie Mae and Freddie Mac (“the GSEs”) — have been under the conservatorship of the Federal Housing Finance Agency (FHFA). During the Great Recession, conventional lending guidelines grew extremely tight, and FHA became a much more critical source of housing finance.
- In the years that followed Treasury's takeover of the GSEs, FHA's share of the market has decreased, and Fannie and Freddie have returned to profitability, though their "profits" go straight into the U.S. Treasury.
- There have been many proposals over the years on the future of the GSEs. NAR released its own plan in February, and the plan has garnered the support of many industry groups. We'll continue to promote our plan, which brings together the best of the public and private model in good times and bad.