

June 8, 2016

The Honorable Mel Watt, Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, S.W.  
Washington, DC 20219

Dear Director Watt:

Our organizations are writing to share our view that comprehensive reform to the secondary housing finance system must come through Congress. We believe that the current state of conservatorship has provided stability, but policymakers and stakeholders need to continue to work together on the important efforts to advance housing finance reform through a legislative solution. Absent reform, we run the risk of continuing to kick the can down the road without ensuring ongoing access to mortgage credit for millions of future homeowners. Policymakers need to continue to focus on the paramount objective of fixing the structural flaws that led to the breakdown of the housing finance system -- the only outcome that **will protect taxpayers, preserve access to credit, and ensure a stable housing finance system.**

Market confidence and liquidity have been critical for recent movements toward a reformed housing finance system.

The extraordinary support provided to Fannie Mae and Freddie Mac has played a key role in maintaining liquidity in the secondary mortgage market, which is crucial in providing capital for mortgage lending across the country. The backstop provided by the Treasury Department and ongoing investments by the Federal Reserve have been integral in keeping mortgage rates low even while the GSEs have more than doubled their fees since 2011. Our collective push for comprehensive reform is to ensure that any changes maintain the ongoing sustainability of the housing finance system and directly benefits consumers, rather than the balance sheets of private companies.

A piecemeal approach to reform through further amendments to the Preferred Stock Purchase Agreements (PSPAs) will not resolve these issues. The PSPAs do not replace the need for a permanent solution to housing finance reform. However, they do provide an adequate backstop to allow Congress to complete the last piece of unfinished business from the financial crisis. Detours from this long-term goal would be counterproductive.

The real priority is comprehensive housing finance system reform -- it is the only way to protect against another crisis.

FHFA has made significant progress in mitigating a number of flaws in the GSEs' operations that distorted the market pre-crisis, including bringing parity and transparency to their pricing models to individual lenders, moving toward a single security and developing the common securitization platform. However, without collaboration on comprehensive GSE reform, the

important work FHFA has accomplished is at risk. Furthermore, important reforms remain incomplete.

We strongly agree with the view you expressed in your February speech that Congress needs to “engage in the work of thoughtful housing finance reform before we reach a crisis of investor confidence or any other kind of crisis.” We appreciate the opportunity to continue to work with you in whatever way we can to ensure that consumer access and liquidity are at the forefront of this effort.

Thank you for considering our views on this important issue.

Sincerely,

American Bankers Association  
Mortgage Bankers Association  
National Association of Home Builders  
National Association of Realtors®  
National Housing Conference