



Dear Mr. President:

We write you to express our concern with pending Senate legislation and recent statements by administration officials in both the U.S. Treasury Department and the White House. Specifically, the Jumpstart GSE Reform Act of 2015, and statements by Secretary Jack Lew, Counselor to Secretary Antonio Weiss, and Mr. Michael Stegman of the National Economic Council opposing greater administrative reforms of Fannie Mae and Freddie Mac -despite the inability of Congress to address the issue - would further jeopardize the delicate position of the GSEs and reduce access to affordable mortgage loans for credit-worthy Americans. We specifically oppose efforts to add the Jumpstart GSE Reform Act or other GSE-related riders to current appropriations bills. The provisions that have been proposed as riders would severely undercut, rather than advance, effective housing finance reform.

The GSEs must be reformed. However, comprehensive legislation is not the only avenue to achieve this goal. Further, any reform must build on the considerable reforms enacted in the Housing and Economic Recovery Act (HERA) and those being implemented by Federal Housing Finance Agency (FHFA). Reforms must also reiterate and build upon existing fair housing and lending obligations to which the GSEs are subject as per the Fair Housing Act, the Equal Credit Opportunity Act, GSE federal charters, Federal Housing Enterprises Financial Safety and Soundness Act, and Executive Orders 11063 and 12892.

On the issue of recapitalization, as you know, the current Treasury policy prohibits the GSEs from putting aside any additional capital and, in fact, mandates that they eliminate their current minimal capital reserves, eventually requiring them to operate with no reserves at all. This puts taxpayers unnecessarily at risk and potentially creates an artificial crisis, where the GSEs are forced to take a draw on their line of credit with Treasury, a move that would have drastic economic and political ramifications. The GSEs could avoid a draw on their line of credit from Treasury if simple changes are agreed to by Treasury and FHFA, similar to past modifications of the agreements, to allow them to develop buffers against future losses.

Similarly, the Jumpstart GSE Reform Act and proposed riders to appropriations bills would hinder, rather than advance, effective housing finance reform. Provisions in the Jumpstart Act would restrict the ability of this or a future administration from taking any action regarding the warrants the government holds for GSE stock. Given the uncertainty as to the direction or timing of Congressional action on GSE reform, this would remove an important tool that may be essential to housing finance reform that promotes fair and accessible mortgage credit to all creditworthy borrowers.

Finally, some proposed riders would reduce the availability of affordable home loans for low-wealth families by increasing guarantee fees. The provisions do not contain measures to counteract this harm or advance affordable home loans for working families.

For these reasons, we urge the Administration to use all of its available authority to put the GSEs in a more sustainable position, to ensure that the GSEs move forward in their mission to expand affordable housing, and to oppose appropriations riders that would make the delicate position of the GSEs even worse. Thank you for your consideration.

Sincerely,

Center For Responsible Lending  
Leadership Conference on Civil and Human Rights  
NAACP  
National Fair Housing Alliance