

United States House of  
Representatives  
Committee on  
Financial Services  
2129 Rayburn House  
Office Building  
Washington, D.C. 20515

**M E M O R A N D U M**

**To:** Members of the Committee on Financial Services

**From:** FSC Majority Staff

**Date:** December 3, 2018

**Subject:** December 6, 2018, "A Legislative Proposal to Provide for a Sustainable Housing Finance System: The Bipartisan Housing Finance Reform Act of 2018"

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On Thursday, December 6, 2018 at 10:00 a.m. in room 2128 of the Rayburn House Office Building, the Committee on Financial Services will hold a hearing entitled "A Legislative Proposal to Provide for a Sustainable Housing Finance System: The Bipartisan Housing Finance Reform Act of 2018." This will be a two-panel hearing with the following witnesses:

**Panel One:**

- Edward J. DeMarco, President, Housing Policy Council
- Diane Yentel, President and Chief Executive Officer, National Low Income Housing Coalition
- Vince Malta, President-Elect, National Association of Realtors
- Robert D. Broeksmit, President & Chief Executive Officer, Mortgage Bankers Association
- Jerry Howard, Chief Executive Officer, National Association of Home Builders
- Daniel Goodwin, Director of Mortgage Policy, Structured Finance Industry Group

**Panel Two:**

- Brenda K. Hughes, Senior Vice President and Director, First Federal Savings Bank, on behalf of American Bankers Association
- Don Calcaterra, Jr., President, Local Lending Group Loans; Vice-President, Community Home Lender Association (CHLA)
- Rick Stafford, President and Chief Executive Officer, Tower Federal Credit Union, on behalf of National Association of Federally-Insured Credit Unions
- Lindsey Johnson, President, U.S. Mortgage Insurers

- Alex Pollack, Distinguished Senior Fellow, Financial Markets
- Norbert Michel, Director, Center for Data Analysis, The Heritage Foundation

## Background

It has been over ten years since the height of the financial crisis of 2008, the capstone of which was the financial collapse of the Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, and their placement by the government into conservatorship on September 6, 2008. During that time, little has been done to reform the American housing finance system and taxpayers remain explicitly obliged to provide over \$254 billion to the GSEs should future losses materialize. Perpetual conservatorship is not a sustainable solution and the continued long-term uncertainty of the GSEs and our mortgage market puts taxpayers and homeowners at risk.

The “Bipartisan Housing Finance Reform Act of 2018” (hereafter the “discussion draft”) released for public comment on September 6, 2018 by Chairman Jeb Hensarling (R-TX), Representative John Delaney (D-MD), and Representative Jim Himes (D-CT) seeks to provide a permanent and sustainable housing finance system. The discussion draft aims to accomplish the following goals:

1. preserve the liquidity of long-term traditional mortgage products, such as the 30-year fixed rate loan, and improve borrower access to conventional home loan;
2. create more opportunities for smaller lenders to serve the housing needs of their communities;
3. provide lenders and investors for the first time a mortgage security market exchange and data repository to foster liquidity in the private label securities market;
4. place the successor entities of Fannie and Freddie Mac on a sustainable path going forward while ensuring no future market participant needs taxpayer support;
5. create more choices for consumers and foster a competitive secondary mortgage market;
6. promote access to affordable mortgage credit and affordable housing across the United States, including to underserved borrowers;
7. ensure that mortgage lenders of all sizes, charter types, and locations have equitable access to the secondary mortgage market; and
8. provide for a gradual and smooth transition to the housing finance system as contemplated by the discussion draft.

The hearing will assess the impact of the discussion draft on the housing finance market and the need for Congress to address comprehensive housing finance reform. It will examine what elements of any reform effort are necessary to address the risks in today’s housing finance system, why Congressional action is important to provide long-term certainty to the market and how this discussion draft could facilitate a sustainable housing finance system.