



The Community Mortgage Lenders of America

CMLA Objects to MBA, ABA Call to Ignore Dwindling GSE Capital, Defer to Congress on GSE Reform

Congressional Action Will Not Come Before GSEs Reach Zero Reserves

Washington, D.C., June 15, 2016 – The CMLA today rejected a call on FHFA Director Mel Watt to ignore the dwindling capital of Fannie Mae and Freddie Mac.

In a June 8 letter to Watt, a group of the largest housing related trade associations said he should wait on Congress to enact GSE reform legislation. The Mortgage Bankers, the American Bankers and the National Realtors and Home Builder Associations said a “piecemeal approach to reform” (i.e. immediate building of GSE capital) will not replace the need for a permanent solution to housing finance reform and “[d]etours from this long-term goal would be counterproductive.”

“It is not *counterproductive* to avoid the very possible need for another Federal bailout of the GSEs,” CMLA Executive Director Glen Corso said. “The very lesson of the 2008 financial crisis is that a strong GSE capital base is key to survival in times of financial stress. The only parties that would profit from a state of severe financial instability for the GSEs are the large banks and Wall Street investment houses whose objective is to control the mortgage market from top to bottom – from retail lending to access to the capital markets. Why the major housing trade associations would be advancing the goals of Wall Street and the too-big-to-fail banks is baffling.”

In point of fact, Congressional GSE reform – already stalled for years – is unlikely to happen before the GSEs reach zero capital in January 2018.

In the meantime, as Watt noted in February, the GSE’s lack of capital is the “most serious risk and the one that has the most potential for escalating in the future.”

CMLA and a growing coalition of lender and consumer groups, as well as 32 House Democrats share Watt’s sense of urgency. The CMLA, allied small lender and consumer groups, the Independent Community Bankers Association and 32 House Democrats called on Watt and the U.S. Treasury through various communications in early June to avoid the substantial risk posed by zero GSE capital, which has “serious consequences.” They said Watt should adhere to the mandate of the Housing and Economy Recovery Act of 2008, which “includes a number of provisions expressing Congress’ intent that the GSEs be operated in a safe and sound manner. In fact, under HERA, the FHFA Director has an express duty to ensure that the GSEs maintain adequate capital.”



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"CMLA was formed to advocate for the interests of small and mid-sized lending members from efforts to shut them out of the secondary market by giving large banks an unfair competitive advantage. That MBA and other large housing associations felt the need to respond to our position, shared by a growing coalition, is evidence that Washington policy makers are reconsidering and we intend to re-double our efforts on this urgent issue," Corso concluded.

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About the CMLA

CMLA is the only trade association solely dedicated to advocating for independent, community-based residential mortgage lenders. Founded in 2009, The CMLA is committed to the preservation of a thriving independent mortgage lending sector, which increases competition in the industry and, thus, provides borrowers with greater choice and lower costs. The CMLA membership includes lenders nationwide that, collectively, originate more than \$100 billion worth of residential mortgage loans annually. The CMLA works to ensure the interests of its members are effectively represented before members of Congress, Federal regulators and the Executive branch.

For more information, please visit www.thecmla.com and/or direct policy and member inquiries to Glen Corso at 925.323.7084