

September 19, 2016

The Honorable Richard Shelby  
534 Dirksen Senate Office Bldg.  
Washington, DC 20510

The Honorable Thad Cochran  
S-128, The Capitol  
Washington, DC 20510

The Honorable Sherrod Brown  
534 Dirksen Senate Office Bldg.  
Washington, DC 20510

The Honorable Barbara Mikulski  
S-128, The Capitol  
Washington, DC 20510

Dear Chairman Shelby, Ranking Member Brown, Chairman Cochran and Vice Chairwoman Mikulski:

Our organizations are writing to express our strong opposition to any Congressional attempts to attach piecemeal reform provisions dealing with the Government Sponsored Enterprises (GSEs) credit risk transfer transactions and/or the Common Securitization Platform (CSP) to any omnibus or other must pass year-end legislation.

It is now eight years since Congress enacted the Housing and Economic Reform Act<sup>1</sup>(HERA) and subsequently Fannie Mae and Freddie Mac were taken into conservatorship. While we wait for Congress to enact another comprehensive GSE reform bill, we believe that Congress should not adopt individual provisions as riders to an FY 2017 funding bill or other “must-pass” legislation that could bias or tilt the final outcome of an ultimate comprehensive GSE reform bill in any particular direction or circumvent a careful effort by FHA and the GSEs to address specific issues. We would note that in June, the MBA, ABA, NAHB, NAR, and NHC sent a joint letter to FHFA Director Mel Watt taking a similar approach - arguing that a “piecemeal approach” to GSE reform would be “counterproductive” to the long-term goal of housing finance reform.

Provisions to transfer control of the CSP to the private sector, and undoubtedly to the largest private financial institutions, and to mandate more or particular types of risk sharing have not been fully debated in Congress and do not enjoy broad support or consensus. We would also point out that both the CSP and upfront risk sharing are areas that the FHFA are currently addressing in a detailed manner and is seeking public input. Moreover, arbitrary Congressional changes in these two areas could negatively affect borrowers and other stakeholders by interfering with affordable housing objectives and with fair secondary market access by small and mid-sized mortgage loan originators.

The CSP is currently being developed by the Common Securitization Solutions (CSS), a joint venture of Fannie Mae and Freddie Mac. Among other features, it will facilitate the issuance by both Enterprises of a single mortgage-backed security (Single Security). The GSEs have spent substantial financial and personnel resources even during their conservatorship to create a shared securitization infrastructure to undertake the securitization functions currently executed in-house by both Enterprises.<sup>2</sup> FHFA has solicited public input on various aspects of the CSP and the Single Security, provided regular progress reports including through their annual scorecard and recent updates in September 2015 and July 2016. The GSEs and CSS have also convened the Single Security/CSP Industry Advisory Group to receive

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<sup>1</sup> In 2008, Congress passed the Housing and Economic Recovery Act (HERA), a comprehensive reform of Fannie Mae and Freddie Mac following the financial crisis. The law created the FHFA as the new regulator of the GSEs and vested the agency with sweeping new authority to set and adjust capital requirements, regulate their portfolio

<sup>2</sup> From 2012 to mid-2015, Fannie Mae and Freddie Mac invested a \$146 million in CSS. For more information on the use of the enterprises’ resources for the CSP during their conservatorship, see: Update on the Common Securitization Platform, FHFA (September 2015)

input from industry stakeholders. In other words, FHFA is undertaking a detailed process that should not be upended by appropriations riders that will have far-reaching impacts on the Enterprises, the direction of housing finance reform, borrowers and stakeholders.

With regard to upfront risk sharing, FHFA has also released a progress report and is currently conducting a formal Request for Input (RFI) from all interested parties, with comments due October 13. The RFI seeks input on important issues, such as how to promote a level playing field for all lenders, how and to what extent credit risk transfer transactions reduce risk to taxpayers, the types of transactions that are economically sensible, the impact on the Enterprises' core business or ability to ensure liquidity in the mortgage market, counterparty strength and economic durability through economic and housing cycles, and the impact on the accessibility and cost of credit. Congress should not short-circuit this approach, through arbitrary directives to engage in more, or a set amount of risk sharing, or particular forms of risk sharing.

Thank you for your consideration of these views.

Sincerely,

Community Home Lenders Association  
Community Mortgage Lenders of America  
Corporation for Enterprise Development  
Leading Builders of America  
Leadership Conference on Civil and Human Rights  
National Association for the Advancement of Colored People  
National Community Reinvestment Coalition