



PRESERVING FAIR STANDARDS FOR COMMUNITY LENDERS

CMLA CALLS FOR SUSPENSION OF GSE DIVIDENDS

Joint Letter Calls for GSEs to be Permitted to Build Capital

Washington, DC, March 23, 2017 – The Community Mortgage Lenders of America (CMLA), in a joint letter to Treasury Secretary Steven Mnuchin and Federal Housing Finance Agency (FHFA) Director Mel Watt, called for the suspension of the quarterly dividends being paid by Fannie Mae and Freddie Mac to the U.S. Treasury, in order to allow the housing finance entities to begin rebuilding their dwindling capital reserves.

“We are writing to express our concerns about the declining capital buffer at the government-sponsored enterprises – Fannie Mae and Freddie Mac – and to urge the Administration to take immediate steps to shore up their capital position in order to prevent a draw on the U.S. Treasury’s commitment of taxpayer funding for any non-credit-related losses” the joint letter stated. “With the Enterprises capital buffer declining to zero starting on January 1, 2018, we urge FHFA to exercise its discretion under the Senior Preferred Stock Purchase Agreements to suspend the dividend payment on their Senior Preferred Stock this month.”

The joint letter pointed out that Director Watt in a speech last year had detailed a number of non-credit related factors that could cause the GSEs to record a quarterly loss. When coupled with the decline in the GSEs capital reserves, as mandated by the Preferred Stock Purchase Agreements (PSPAs) between each entity and the U.S. Treasury, this raises the likelihood that the GSEs may be forced to take an additional draw under the PSPAs. The letter goes on to point out that each GSE has a significant deferred tax asset on their balance sheets and that corporate tax reform could cause a sharp decline in the value of these deferred tax assets, which in turn could cause a quarterly loss and a draw under the PSPAs.

The letter concluded that: “We urge the FHFA to suspend the dividend payments to the U.S. Treasury this month and allow the Enterprises to rebuild their capital buffers to avoid a draw for widely anticipated non-credit related losses at the Enterprises. We know this decision is time-sensitive, so we thank you for your consideration of our views and we would welcome an opportunity to speak further.”

In addition to the CMLA the letter was signed by: the Community Home Lenders Association, the Corporation for Enterprise Development (CFED), the Leadership Conference on Civil and Human Rights (LULAC), the League of United Latin American Citizens (LULAC), the Leading Builders of America, NAACP and the National Community Reinvestment Coalition (NCRC).

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About the CMLA

CMLA is the only trade association solely dedicated to advocating for independent, community-based residential mortgage lenders, both mortgage companies and community banks. 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 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 703-467-0420 or gcorso@thecmla.com