Resolution No. __1

Date: 2/27/2025
City: Las Vegas, NV

NAHB Resolution

Title: Housing Finance Reform
Sponsor: Housing Finance Committee
Submitted by: Marty Mitchell

WHEREAS, a healthy housing market is a cornerstone of a durable and strong U.S. economy and a vibrant and reliable housing finance system is essential to fulfilling the mandate of the Housing Act of 1949 that pledged "a decent home and suitable living environment for every American family."

WHEREAS, the 30-year fixed-rate mortgage is a hallmark of the U.S. housing finance system and has conveyed affordability, inflation protection, long-term financial stability, security for homeowners, and tax advantages for millions of American families.

WHEREAS, the nation's housing industry has recovered significantly from the Great Recession.

WHEREAS, while some administrative steps have been taken to address flaws in the mortgage market that contributed to the crisis in the housing and financial markets, no meaningful progress has occurred to enact comprehensive housing finance system reform legislation as was called for immediately following the crisis.

WHEREAS, housing finance industry stakeholders have moved away from seeking comprehensive housing finance system reform to focus on reform of secondary mortgage market giants Fannie Mae and Freddie Mac, the government sponsored enterprises (the Enterprises.)

WHEREAS, an efficient and reliable secondary mortgage market is essential to provide financial institutions the liquid flow of funds to finance home purchases and rental housing in all housing markets.

WHEREAS, mortgage-backed securities (MBS) are an essential component of the housing finance system for single-family and multifamily housing and Fannie Mae and Freddie Mac currently issue a majority of MBS.

WHEREAS, historically, the assumption that Fannie Mae and Freddie Mac MBS were supported by a federal government backstop contributed to robust investor interest in the Enterprises' MBS and subsequent market liquidity and mortgage affordability.

WHEREAS, the Housing and Economic Recovery Act (HERA) of 2008 created the Federal Housing Finance Agency (FHFA) to enhance regulation of the Enterprises and the Federal Home Loan Banks; established the position of Director to be appointed by the President of the United States; and granted the Director the authority to place the Enterprises in conservatorship and act as both regulator and conservator.

WHEREAS, the FHFA Director placed the Enterprises in conservatorship in September 2008.

WHEREAS, the authorizations granted to the Director as regulator and conservator allow considerable control over the Enterprises to be concentrated in one individual that can be replaced at will by the President, which increases the potential for the Enterprises to be subject to changing political pressures and creates uncertainty around the stability of the Enterprises' policies.

WHEREAS, upon being placed in conservatorship, the U.S. Department of the Treasury (Treasury) signed agreements with FHFA to provide each Enterprise $100 billion and assured the investor community Treasury would never let the Enterprises have a negative net worth. The commitment subsequently was increased by Treasury to $200 billion per Enterprise and then increased once more. As of September 30, 2024, Treasury's outstanding funding commitment to the Enterprises was $254 billion.

WHEREAS, in return for the funding, each Enterprise granted Treasury one million shares of senior preferred stock and warrants to buy common stock in each of the Enterprises equal to 79.9 percent of the total outstanding shares. The funding commitments are referred to as the Preferred Stock Purchase Agreements (PSPAs.)

WHEREAS, the outstanding funding commitment per the PSPAs replaces the assumed federal government backstop with assurance to investors that the Enterprises' obligations would be met by the federal government, i.e. taxpayers, in the event of an Enterprise's insolvency.

WHEREAS, the initial PSPAs required the Enterprises to remit all of their profits to pay dividends to Treasury, subsequent amendments have allowed the Enterprises to suspend the dividend payments to begin to build capital reserves toward possible release from conservatorship; the 2021 amendments allow Fannie Mae and Freddie Mac to retain all their earnings until they meet the capital requirement per their capital framework.

WHEREAS, in conservatorship Fannie Mae and Freddie Mac have made substantial reforms in their mortgage underwriting and servicing practices, wound down their portfolios, increased transparency, and de-risked their portfolios through tighter credit standards and risk sharing.

WHEREAS, both Fannie Mae and Freddie Mac have returned to profitability and account for the majority of mortgage credit to home buyers and rental properties.

WHEREAS, the Enterprises could exit conservatorship by administrative means or Congressional action.

WHEREAS, federal and state government agencies historically have provided important support for housing credit and continue to play a vital role in meeting affordable housing needs in America today.

WHEREAS, the Federal Home Loan Banks (FHLBanks) serve eleven regions of the country and work with member institutions in their individual districts to provide mortgage and housing production credit, support for community and economic development, and resources to address affordable housing needs.

WHEREAS, the FHLBanks did not receive any government funding during the Great Recession but continued to perform their critical role as providers of liquidity to the market and continue to do so today in an effective and reliable manner.

NOW, THEREFORE, BE IT RESOLVED that National Association of Home Builders (NAHB) urge Congress and the Executive Branch to reaffirm support for housing as a national priority in fulfillment of the mandate of the Housing Act of 1949.

BE IT FURTHER RESOLVED that NAHB support maintaining a multifaceted housing finance system with both competing and complementary components, including private, federal, state and regional sources of capital liquidity as the best way to achieve the goals of the Housing Act of 1949. The system should support a reasonable menu of sound mortgage products for both single-family and multifamily housing, governed by prudent underwriting standards and adequate oversight and regulation.

BE IT FURTHER RESOLVED that NAHB urge Congress, the U.S. Department of the Treasury (Treasury) and the Federal Housing Finance Agency (FHFA) to work together to establish a path to move the housing finance system beyond the conservatorships of Fannie Mae and Freddie Mac (the Enterprises.)

BE IT FURTHER RESOLVED that NAHB support legislative and/or regulatory actions impacting the Enterprises and the Enterprises' mortgage-backed securities (MBS) that are thoroughly vetted by market participants and considered to be safe from causing disruption to the primary and secondary mortgage market, which may include a federal government backstop of the Enterprises' MBS obligations.

BE IT FURTHER RESOLVED that NAHB support the following comprehensive framework for a reliable, robust, safe and sound housing finance system that includes the following components:

- A construct for the Enterprises and/or other congressionally chartered entities that allows them to have sufficient capital in order to support a liquid mortgage market, securitize mortgage loans and guarantee the timely payment of principal and interest to MBS investors;

- Ending FHFA's conservator supervision of the Enterprises while ensuring FHFA maintains effective regulatory oversight of the Enterprises. Consider a board structure for FHFA, instead of a single director, that is required to have members with extensive experience in and/or knowledge of housing capital market transactions and issues and housing finance needs;
- Continued availability of financing for long-term (at least 30-year) fixed-rate mortgages at reasonable rates and terms as well as mortgage products with well-understood risk characteristics such as certain standard adjustable-rate mortgages and multifamily products;
- Continued roles of the federal government housing agencies: Department of Housing and Urban Development (HUD), Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Department of Agriculture (USDA), and the Government National Mortgage Association (Ginnie Mae) and affirms existing NAHB policy that steps be taken to make the operations of these agencies more efficient and effective;
- Enhanced role of state and local housing finance agencies (HFAs) as sources of housing funds;
- Options for Federal Home Loan Banks (FHLBanks) to expand their role in the housing finance system;
- Equitable availability and affordability of mortgage financing for credit-worthy home buyers using prudent underwriting guidelines that are fair, transparent and not overly restrictive;
- A secondary mortgage market system with sound Enterprise MBS structures and full transparency to ensure a robust interest in the Enterprises' MBS by investors;
- Reforms undertaken in a balanced and flexible manner so creditworthy borrowers are not disadvantaged;
- Preserving the important countercyclical role of Fannie Mae and Freddie Mac in providing access to mortgage credit;
- Consideration of direct and indirect long-term consequences before implementation of solutions to mortgage and housing production credit issues.

Leadership Council Action:
Resolutions Committee Action:
Housing Finance Committee Action:
Federal Government Affairs Committee Action:
Multifamily Council Board of Trustees Action:

If approved, this resolution will update and replace existing policy: 2016.No. 5 Comprehensive Framework for Housing Finance System Reform