



March 25, 2019

The Honorable Mike Crapo
Chairman
Senate Committee on Banking, Housing, and Urban Affairs
534 Senate Dirksen Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Senate Committee on Banking, Housing, and Urban Affairs
534 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

Fannie Mae and Freddie Mac were major players in the financial crisis and massive, multidimensional cases of the “too big to fail” problem. Despite congressional attempts to pass legislation, they remain in conservatorship, risking taxpayer losses in another market downturn. Yet there are few issues as important to the future of our nation’s economy as housing finance reform. As such, the Bipartisan Policy Center urges the Senate Banking Committee to prioritize the passage of bipartisan reform legislation this Congress.

Every year that passes without a resolution, the risk that policymakers must act hastily in another crisis increases. Reforming our housing finance is too important to America’s families for that to happen. Your leadership in designing a sustainable housing finance system is essential. To that end, we appreciate the planned hearings before your committee on this important issue. They are an important step toward finally achieving a successful legislative outcome—a reformed system with continued access to stable, affordable mortgage credit.

The Bipartisan Policy Center has worked extensively to build bipartisan support for housing finance reform, including our Housing Commission’s work to provide a new vision for federal housing policy.ⁱ We believe that the contours of a bipartisan deal have become increasingly clear.ⁱⁱ In particular, the following elements mark the evolving consensus around a housing finance reform bill:

- Establish an explicit government guarantee.
- Allow private capital to assume mortgage credit risk and protect taxpayers from losses.
- Ensure the flow of mortgage credit in both good times and bad.
- Reduce the concentration of credit risk.
- Separate securitization infrastructure from private credit risk-taking.

*1225 Eye Street NW Suite 900
Washington, D.C. 20005*

bpcaction.org

BIPARTISAN POLICY CENTER ACTION



- Require the application of fair lending laws to the reformed system.
- Assess a fee on the outstanding balance of guaranteed securities to support broad market access, affordability, and other public policy goals.
- Spin off the GSEs' multifamily subsidiaries.
- Use existing infrastructure and assets in the future system.
- Clearly separate the primary and secondary markets.

We urge you to work together in an open, deliberate, and bipartisan process to draft legislation that incorporates these and other key reform elements needed in a future housing finance system. Despite the polarized views on many issues facing Congress today, we believe a bipartisan path forward on housing finance reform is achievable for the committee. Like you, we believe the status quo is unsustainable.

BPC stands ready to help accomplish this critical effort in a bipartisan way.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Stockwell".

Michele Stockwell
Executive Director, BPC Action

Endnotes

ⁱ Bipartisan Policy Center, "Housing America's Future: New Directions for National Policy," February 2013. Available at: <https://bipartisanpolicy.org/library/housing-americas-future-new-directions-national-policy/>.

ⁱⁱ Michael Stegman, Bipartisan Policy Center, "Building on the Johnson-Crapo Consensus," August 2016. Available at: <https://bipartisanpolicy.org/blog/johnson-crapo-housing/>.