



GSE Activity Report

Thursday, September 17, 2020

No Stopping Him

Summary

As we noted [yesterday](#), FHFA Director Calabria gave HFSC little ground on the capital rule. [As anticipated](#), CRT is the NPR's provision most likely to see substantive change, but MIs also saw a glimmer of hope. Fannie and Freddie will otherwise get a new capital regime that propels them out of conservatorship as quickly as Calabria can. Calabria's [written testimony](#) also noted significant improvements in servicer resources, although FSOC's systemic report is still to come.

Impact

Key conclusions include:

- CRT: As noted, Calabria appears to be giving some – if not necessarily much – ground on CRT capital. He also told HFSC that the GSEs would be required to engage in CRT as long as they are in conservatorship, presumably meaning that this would be the case only when markets permit.
- MI: Rep. Stivers (R-OH) questioned MI capital treatment on grounds that it was overly bank-like. Calabria indicated a more complete analysis is under way.
- Multifamily: In contrast, Calabria held firm on multifamily RWAs, arguing that these are warranted by historical experience regardless of current stress conditions.
- Refi Fee: Good thing the fee was delayed and revised to give lower-income borrowers some ground. Even Republicans would have supported repeal of one as initially instituted; now, we think it's safe.
- Forbearance: FHFA will continue to play this out as conditions warrant, extending forbearance if COVID stress continues. HFSC Members call for more, but Calabria reiterated that more – whether it be expanded forbearance or rental assistance – has to come from Congress.

Outlook

We don't think the capital changes noted above are it for the final rule – just those on which political pressure is focusing and where FHFA may give at least a little. See our earlier analysis of comments for more on what else might be revised. Our forecast for near-term action without another NPR holds firm, as does Calabria's timeline. He told Congress yesterday that, while an exit from conservatorship and IPOs aren't happening this year, he's only four to six months behind his year-end schedule. No

one asked about a revision of the Treasury PSPA contract as a precursor to conservatorship exit – a Biden Treasury surely won't agree to this on Calabria's terms, but the FHFA director also has until January 20 to do what he wants with a Treasury of his liking.