



GSE Activity Report

Thursday, December 17, 2020

And So It Goes

FHFA's controversial [capital rule](#) is in today's *Federal Register*, setting an effective date of February 16. As we [noted](#), the rule will go final regardless of the Biden transition because it is solely within FHFA's authority. However, as [also noted](#), a consent agreement along with a revised Treasury PSPA could change key terms of the conservatorship with direct capital impact between now and the formal capital kick-off.

Under the final rule, the full force of the capital rule doesn't come into effect until the conservatorships terminate or a new date is set in the consent decree or other transition order. However, the rule's buffers (e.g., those related to house-price appreciation and the systemic surcharge) apply immediately under a capital-restoration regulation that remains TBD or by way of FHFA's existing PCA powers.

However, the full, final force according to the rule does not affect the rule's immediate force in the real world. To bring themselves as capital-compliant as possible to get out of the conservatorships as soon as they can, both GSEs are already complying with the NPR in their own ways on issues such as CRT. Clarification of other critical issues – e.g., RWAs for different types of mortgages – will now also dictate AU and other strategic decisions wherever required under the transition plan, capital-restoration rule, FHFA's PCA powers, each GSE's druthers, and market reality.