



GSE Activity Report

Wednesday, March 17, 2021

Steady as They Don't Go

As our [in-depth report](#) makes clear, the Senate Banking (and Housing!) Committee's hearing yesterday showed the wide partisan chasm between what Democrats and Republicans want of the GSEs. The flurry of [bipartisan proposals](#) beginning in at least 2014 petered out long ago – see for example [Crapo's abortive effort](#) to revive it in 2019.

Interestingly, Toomey's [new GSE-reform](#) principles are akin to much in earlier bipartisan proposals to which even Elizabeth Warren was open. But, that was then. Now is colored by four years of Donald Trump and – as has been the case ever since 2008 – industry and community interests are aligned in finding the conservatorships more than convenient.

So far, the House Financial Services Committee has shown even less interest in substantive, concrete GSE-reform [proposals](#). We are thus in a holding pattern in which FHFA and Treasury will work out a modus vivendi on the conservatorships comprised of ongoing safety-and-soundness regs, deference to [affordable-housing objectives](#), systemic designation GSE, and – perhaps – a PSPA rewrite. Absent a new emergency, what happens as forbearance ends and the economy emerges from defining events will determine whether Congress feels compelled to act. And, even then, wanting to act doesn't mean Congress can.