



GSE Activity Report

Thursday, September 30, 2021

Shot Across the Bow

Summary

Late yesterday, Senate Banking Ranking Member Toomey sent letters [to Secretary Yellen](#) and FHFA [Acting Director Thompson](#) strongly protesting the [PSPA rewrite](#) and [pending capital proposal](#). None of Toomey's concerns is new, although many are now more targeted. While none will sway Administration or FHFA policy, the public nature of Toomey's attack makes it clear that [straightforward confirmation](#) of Sandra Thomson should the Administration nominate her as Waters and others have urge will be even harder than it seemed.

Impact

Toomey objects most vociferously to recent changes that reduce the odds of a rapid conservatorship exit. These include ending restrictions on high-risk mortgage purchases, which Toomey says also heightens systemic risk and vulnerable-household foreclosure. He also protests a larger GSE multifamily footprint and second/investor home purchase restrictions, arguing that these do little but crowd out private capital.

Toomey also takes on both Yellen and Thompson over the capital rewrite, taking particular issue with proposals he believes give the GSEs an even greater capital edge over banks. Interestingly, he targets one issue mentioned only in a passing question in the [new proposal](#): whether also to reduce the 20% floor on single- or multi-family mortgages.

Outlook

Toomey sets no deadline for answers doubtless because he doesn't expect any in the near term and can ask Yellen or Thompson about his concerns when and if he chooses to do so. What matters in the near term is the signal sent not only on the FHFA, but also on at least one red line in the new capital proposal. We'll provide you later today with a detailed analysis of the NPR and the odds for action on it.