



# *GSE Activity Report*

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Wednesday, February 9, 2022

## *Plan B*

### Summary

Continuing her very different vision of Fannie and Freddie, FHFA Acting Director Thompson [today](#) has released a new strategic plan for the agency emphasizing the importance of both equitable and sustainable housing finance. No specific questions are posed in a request for public comment, but many comments are sure to press the agency to go still further to require even more of Fannie, Freddie, and the FHLBs not only on the new equity mission, but also on the climate-risk mitigation objectives also outlined today for the first time.

### Impact

The new plan focuses on FHFA's regulatory, supervisory, and mission obligations, but it also lays out a new agency culture of "competence, diversity, equity, and inclusion." Much in the plan is boilerplate descriptions of the GSEs' law and duties, but safety-and-soundness evaluation criteria are now expanded beyond the usual also to include a stipulation that the GSEs operate in the "public interest." The conservatorship plan is interesting most notably in its new injunction to the agency to ensure that Fannie and Freddie transfer as much risk as possible to the private sector, a goal clearly enunciated also in FHFA's pending [capital rewrite](#).

The plan also sharply departs from the [prior one](#) by emphasizing the importance of climate-risk mitigation; here, the focus is largely on data and research rather than including any effort to get out ahead of the banking agencies via stress tests, new "brown-penalty" charges, or other binding requirements.

As noted, the agency is also laying out a set of steps through which it achieves Thompson's new equitable-finance [objectives](#). The GSEs here will be pushed to increase affordable-housing finance and supply above and beyond relevant metrics. Although the plan does not suggest requirements also for new products such as refis aimed at [minority communities](#), it does stipulate that the GSEs are to innovate to enhance equity as well as ensure fairness and equal access. The sustainable objective is to be met via FHFA action to ensure effective loss mitigation and sound underwriting.

FHFA also notes externalities that could impair plan realization, most notably the impact of higher rates on affordable housing, immediate climate-risk events, and regulatory surprises due to its inability to assess third parties, including key counterparties. Nonbank servicers here as highlighted as particularly worrisome.

### Outlook

Comments are due by March 11. When we read them, we'll know where FHFA will head on its new plan, but anywhere it goes will be different than where it's been.