



GSE Activity Report

Thursday, July 21, 2022

Two Things

Summary

We yesterday provided a complete assessment of Sandra Thompson's sojourn on HFSC's [griddle](#), noting the lack of any insights into essential issues such as conservatorship's end or the full scope of CRT's new beginning. More interesting to us are new battlelines on new products, including signs of renewed skirmishing over GSE self-insurance in lieu of MI. Unlike FHFA under Calabria, Fannie and Freddie appear to have a friend in one critical high places for new ventures, especially those said to be good for equitable finance.

Impact

As we concluded in our assessment of the GSEs' [equitable-finance plans](#), Fannie and Freddie plan many new special-purpose credit (SPC) programs. HFSC Republicans fired back ahead of the [hearing](#), arguing that these fall under the statutory new-product rule Calabria proposed in [2020](#). He and others repeated demands for a final rule forcing public notice and comment ahead of new offerings and Thompson promised to adhere to the law and finalize one. She didn't, though, exactly say when – demurring when pressed for a year-end commitment and offering little else in the way of substance or sequence.

Doubtless anticipating this, Republicans are ratcheting up their new-program counter-offensive. At yesterday's hearing, Loudermilk (R-GA) argued that FHFA's overall approach is race-based and thus unconstitutional. Thompson said GSE programs are meant to serve unmet needs across America, but Senate Republicans [today](#) took sharp issue with that.

In a letter led by Thom Tillis (R-NC) reiterating complaints in a recent Wall Street Journal [editorial](#), GOP senators took particular exception to Fannie's focus on Black homeowners, calling these and all of the GSEs' racial-equity programs an "Administration affirmative-action subsidy." The letter also asserts that these programs are likely unconstitutional, going on to assert also that FHFA violates the law by pressing the GSEs to engage in "race-based subsidies" that could pose significant credit risk.

This is of course the high-profile problem for FHFA, but there was an interesting exchange yesterday that might create some new opportunities for it to achieve its goals and make Fannie even happier along the way. Rose (R-TN) asked Thompson about "direct MI," leading the FHFA director to demur. We aren't sure what's targeted here, but it could well be Fannie's [2018 plan](#) for "enterprise-paid MI" that would put the GSEs squarely into the credit-enhancement business at considerable peril to PMI.

Outlook

We doubt any of the hostile questioning or correspondence will quell FHFA's zeal with regard to equitable housing, but it may decide to speed up action on new-program rules to take one potent complaint off the table. The GOP Senate letter ominously suggests litigation is in the works on the equitable-housing plans specific to race, requesting FHFA order the GSEs to retain all written material

pertaining thereto. A new rule won't block litigation, but it could establish a clearer and more defensible framework for new programs without reversing Thompson's agenda.