



GSE Activity Report

Thursday, April 6, 2023

Extra Equitable?

Summary

[FHFA](#), [Fannie](#), and [Freddie](#) yesterday updated the sometimes-controversial equitable-finance [plans](#) FHFA approved last year. Notably, Fannie's new plan no longer focuses exclusively on Black households, a feature that garnered vitriolic *Wall Street Journal* [criticism](#) and negative Republican reactions. Freddie's plan delays and may even back away from efforts to set MI and title insurance pricing.

Impact

As was the case last year, both GSE plans include extensive programs for counselling borrowers to help with rentals, keep them out of harm's way, and generally advance minority and LMI-community homeownership without putting GSE capital at risk. Both GSEs also have programs to increase correspondent diversity sure to put at least as much of a burden on direct lenders as on the GSEs. In addition to Freddie's decision to back away from redefining MI and title insurance in its own image, the GSEs have also backed away from direct home-ownership assistance, especially when it comes to resilience under stress.

Of additional note for residential mortgages in Fannie's plan are:

- mention now of Latino as well as Black households in various target programs;
- moving the controversial closing-cost calculator outside the equitable-finance context, with this tool to be put in a more general consumer-facing position once finalized;
- offering of targeted SPCs in areas such as mortgage reserves to enhance homeownership sustainability under stress. Fannie is also launching a new, "locally-controlled" SPC to promote Black homeownership; and
- monitoring of possible loss-mitigation discrimination despite the finding in 2022 that none was observed.

What of Freddie? It plans:

- ongoing wrangling with MIs about the controversial cost-reduction program;
- similar negotiations with title insurers looking not only a cost, but also risk reduction;
- more stakeholder engagement re reserve funds for sustainable homeownership under stress. Automatic payment deferral was found to be a no-go; and
- expanded efforts to advance homeownership for persons with disabilities.

Outlook

Given all the preliminary negotiations with FHFA ahead of these plans, it's unsurprising that FHFA endorses them. Industry concerns allayed are also industry concerns satisfied at least for now and thus the GSEs strike a balance among their regulator's demands, their business objectives, their counterparty's requirements, and political attention that, had it bandwidth for GSE matters, would find these plans acceptable, if not for Democrats also admirable and for Republicans sufficiently neutral.