



GSE Activity Report

Wednesday, June 15, 2022

What's to Come

Summary

Today's [report to Congress](#) is FHFA's first foray into expressing a statutory opinion since Sandra Thompson took over, a change doubtless due to her newly confirmed status and the will to tackle hard questions in which Congress has only nominal interest in the absence of another crisis. Sticking with Mel Watt, Thompson wants the GSEs turned into utilities. Adding a fillip from Mark Calabria, she wants more than two of them. A note of her own also recommends a new reserve.

Impact

In its report to Congress, FHFA again asks for the authority now to:

- examine third party servicers; and
- adjust statutory capital definitions, a move that would end the need for complex supplemental capital requirements.

The agency also weighs in on what needs to come when the GSEs exit conservatorship. It wants:

- changes to the GSEs' charter acts to address Treasury's different role;
- new business models as utilities;
- creation of reserves funded by GSE guarantee fees as an extra layer of loss absorption. It is unclear if this is to be a version of TLAC or a new form of loan loss reserves; and
- authority to charter new GSEs.

Outlook

It's unclear to us why a new reserve requires statutory action, but if FHFA says it does, then it does, and a new g-fee reserve is otherwise unlikely. Neither it nor other statutory changes seem likely to come to pass in this Congress, but Thompson is in for the next five years and a GOP Congress might take more interest in ending the conservatorships than Democrats have shown in recent years. Still, FHFA hasn't been able to find a vehicle even for the relatively easy asks and bigger change will come still harder.