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Congress of the United States
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June 19, 2020

VICE RANKING MEMBER
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SUBCOMMITTEE ON ASIA, THE PACIFIC,
AND NONPROLIFERATION

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Calabria:

We greatly appreciate all the hard work you are doing to stabilize the housing market in a period of great uncertainty. The actions taken by the FHFA to date have been critical to ensuring the strength and stability of the GSEs.

We write today with concerns regarding the current state of the Credit Risk Transfer (CRT) market. As you know, the Enterprises rely heavily on CRT as a strategy to manage their risk, which in turn mitigates the risk to the taxpayer and allows for the continued availability of credit at the lowest possible rates for the American homeowner. Additionally, the CRT market forms an essential element of any ultimate path out of conservatorship for the agencies. Right now, the Enterprises face severe constraints in the CRT market due to policy uncertainty surrounding transactions lacking natural disaster language.

The FHFA, by taking a few concrete steps, can restore confidence in the CRT market and enable the Enterprises to regain access to CRT markets. A source of great uncertainty hovering over this market is the treatment of loans that are granted forbearance via the CARES Act. Approximately twenty transactions issued during the first few years of the CRT program did not contemplate the widescale use of forbearance either on a nationwide basis as provided for under CARES Act, or on a localized basis in response to a natural disaster.

The Enterprises clarified the treatment of loans in forbearance within these deals (the "Fixed Severity Deals") in 2017 in the aftermath of Hurricane Harvey. In this instance, the Enterprises need FHFA's support and approval for such clarification. Without a natural disaster exception, these transactions will suffer losses from a unique form of forbearance mandated by federal law. We ask you to consider approving the Enterprises clarification to the transactions' documentation before further harm is done to the CRT market.

FHFA's most recent Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac highlighted the importance of preserving the CRT market, by saying, "CRT will continue to be a component of the Enterprises' approach to risk management. Continuing to transfer risk to private sources of capital both reduces risk to taxpayers and provides a measure of market discipline otherwise lacking under conservatorship." We agree. The future of the housing market depends upon a well-functioning CRT market.

Please let us know how the FHFA intends to take action to secure the health of this needed market during this critical time.

Sincerely,



Ann Wagner
Member of Congress



Blaine Luetkemeyer
Member of Congress



Bill Huizenga
Member of Congress



Barry Loudermilk
Member of Congress



Tom Emmer
Member of Congress



Lee Zeldin
Member of Congress