

February 22, 2021

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing & Urban Affairs
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing & Urban Affairs
Washington, DC 20510

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
Washington, DC 20515

Dear Chairman Brown, Chairwoman Waters, Ranking Member Toomey and Ranking Member McHenry:

On behalf of the undersigned organizations, representing a broad coalition of taxpayer, consumer, and free-market advocates, we urge your committees to make comprehensive housing finance reform a priority in 2021. After more than 12 years under federal government control, it is long overdue for Congress to overhaul Fannie Mae and Freddie Mac. Absent changes to the status quo, the housing duopoly will continue to pose significant risks to taxpayers, homeowners, and the entire global economy.

As you are aware, taxpayers face significant exposure to \$5.5 trillion in mortgage obligations held by the GSEs. Since conservatorship began more than a decade ago, Fannie Mae and Freddie Mac have borrowed more than \$190 billion from taxpayers to stay afloat and now back nearly 90 percent of all U.S. mortgages. Worse yet, these institutions maintain extremely low levels of capital and are not prepared to weather even a modest downturn in the market. Should that event take place, Fannie and Freddie are likely to require yet another draw from the U.S. Treasury.

Taxpayers were promised conservatorship would be a short-term measure to keep the GSEs solvent as Congress and the Obama Administration worked to reform the financial system. Unfortunately, more than 12 years since the financial crisis, Congress has not yet prioritized reform and has only considered revisions around the edges without undertaking a comprehensive modernization. Perpetual conservatorship was never intended to be a viable long-term solution to a multi-trillion dollar quandary, yet that is what it has become.

Though our organizations may have individual perspectives and preferences on what the ideal proposal should contain and how it should be executed, we are united in the belief that any proposal must protect taxpayers, promote competition, exercise a limited, prudent regulatory burden, increase private capital, and mitigate risk to the government's balance sheet. While some changes can be implemented administratively, only Congress can enact the structural reforms needed to repair today's broken model for the long term.

As you continue to plot the path forward toward a housing finance system that protects consumers and taxpayers while recognizing the role of markets, we hope to serve as a resource along the way.

Sincerely,

