



# AN INTRODUCTION, UPDATE AND SOLUTION

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Presented By: **CHRIS READ, Chair**  
*GSE MESSAGING // TASK FORCE*

**FANNIE MAE AND  
FREDDIE MAC**



# WHAT WOULD HAPPEN IF HALF OF YOUR CLIENTS COULDN'T GET FINANCING TO CLOSE?

**HALF** OF ALL MORTGAGES DEPEND ON THE GSEs.

# GSE = GOVERNMENT SPONSORED ENTERPRISE

FEDERAL NATIONAL MORTGAGE  
ASSOCIATION (FANNIE MAE)

FEDERAL HOME LOAN MORTGAGE  
CORPORATION (FREDDIE MAC)



Fannie Mae

Freddie Mac  
We make home possible®

CREATED BY CONGRESS (1938) TO FACILITATE A NATIONAL  
HOUSING FINANCE MARKET IN GOOD TIMES AND BAD

# THE GSEs DON'T MAKE LOANS, THEY...





## WHY ARE THEY IMPORTANT?



**LOWER RATES AND  
WIDER ACCESS  
TO LENDING...**



**EVEN IN A CRISIS...**



**...OR DISASTER.**

# IMAGINE A U.S. HOUSING MARKET IF GSE FUNDING RUNS DRY

Because of GSE funding, 30-yr fixed rate mortgages are available and homes can be purchased with a down payment

**UNDER  
20%**

Without GSE funding, low down payment loans dry up and

**30-YEAR  
FIXED RATE**

mortgages could disappear



# FINANCING EVERYWHERE!



- Small towns or large cities
- Coastal or central

NO MATTER WHICH **SPRINGFIELD**  
YOU CALL HOME

YOUR **ACCESS** REMAINS THE SAME





# THE MISSION OF FANNIE & FREDDIE

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Affordable  
housing for all  
creditworthy  
U.S. borrowers



# HOME OWNERSHIP ROSE AS A RESULT..



1940

INTRODUCTION OF  
GSEs & 30-YEAR FIXED  
RATE MORTGAGES

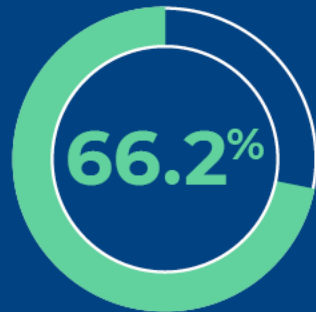
1950s



1960



1970



2000

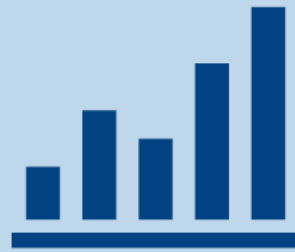


2019

# SO, HOW DID THEY MESS UP?



**DABBLED IN  
INSURING  
RISKY LOANS**



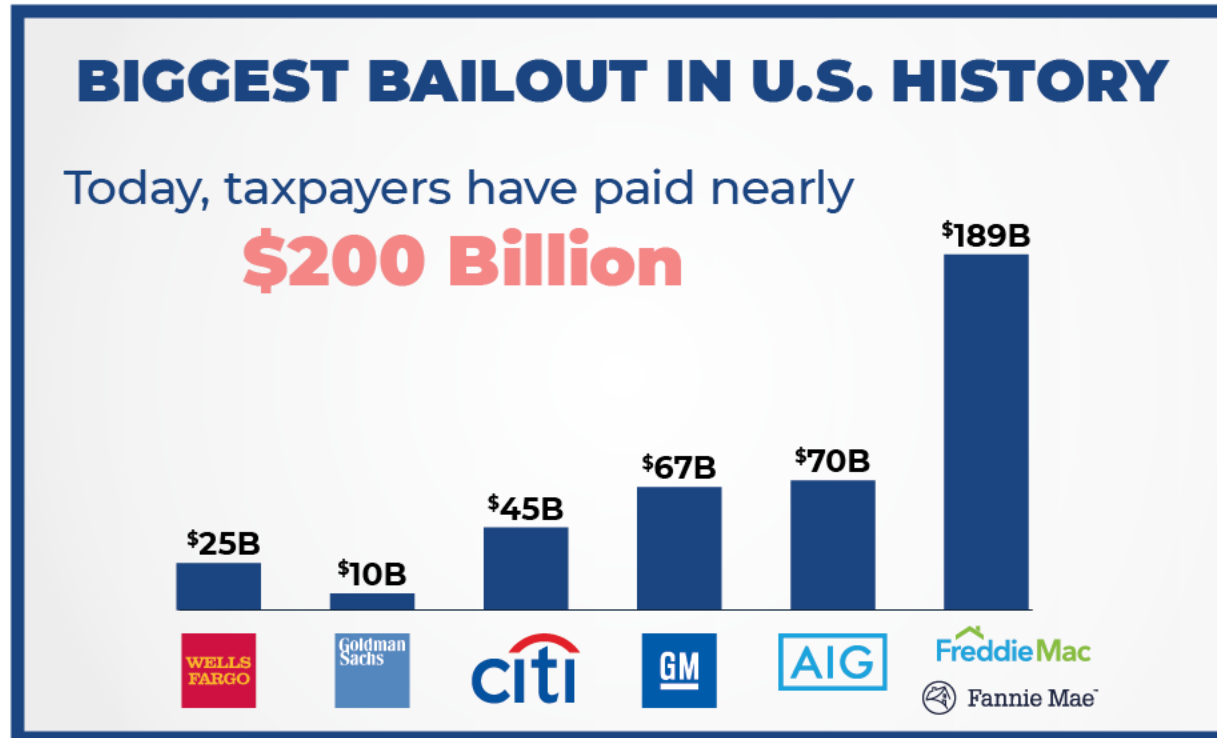
**INVESTED PROFITS  
IN VERY RISKY  
INVESTMENTS**



**DIDN'T SET ASIDE  
ENOUGH MONEY  
TO TAKE LOSSES**

**...FACILITATED BY A WEAK REGULATOR AND A  
LOBBYING MACHINE THAT COWED CONGRESS**

# FANNIE AND FREDDIE IN CONSERVATORSHIP





# FHFA ESTABLISHED TO REGULATE FANNIE AND FREDDIE

## FEDERAL CONTROL

- » REFORMED STRUCTURE
- » REMOVED LEADERSHIP
- » REFORMED BUSINESS PRACTICES

# PRIVATE LABEL SECURITIES ALL BUT DISAPPEAR

IMPLICIT GUARANTEE



**EXPLICIT GUARANTEE**

- » Private Investors can't compete!
- » Would have to charge more to cover risks





# GSEs OF 2019 ARE NOT THE GSEs OF 2005



**NEW  
DIRECTORS**



**QUALITY  
MORTGAGES**



**NO INVESTMENTS  
OUTSIDE MISSION**



**SETTING MONEY  
ASIDE (IN PROCESS)**

## WHY CHANGE?

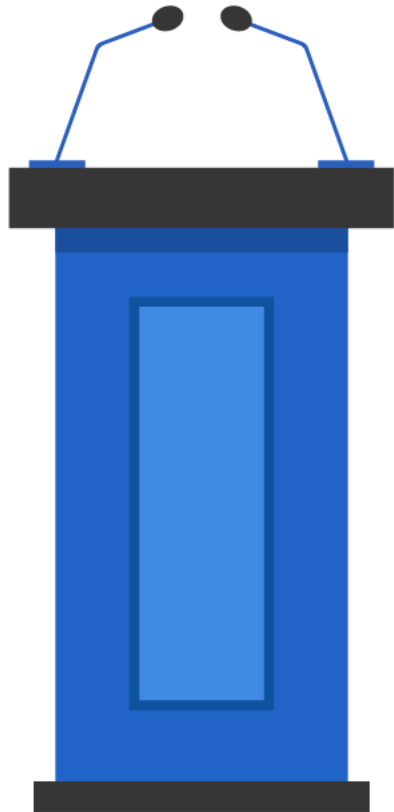
- » “CONSERVATORSHIP” IS NOT PERMANENT
- » MUST RAISE CAPITAL (E.G. MONEY TO PAY INSURANCE CLAIMS)
- » STRONG RULES ARE TEMPORARY... MUST MAKE PERMANENT
- » CHANGES ARE NOT SET IN STONE... MUST LOCK IN





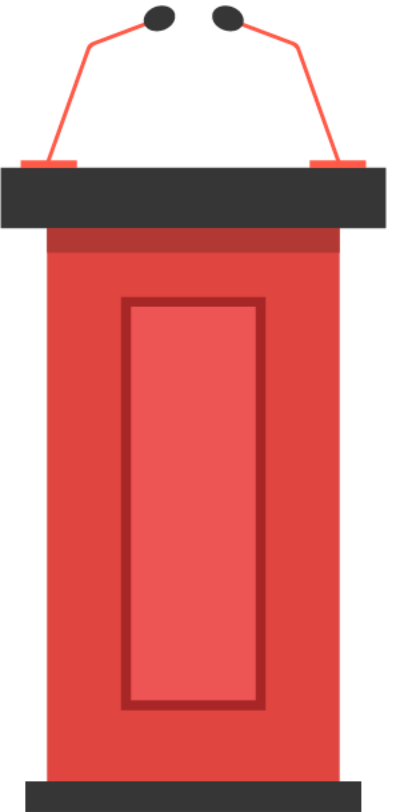
## 11 YEARS CONGRESS HAS NOT ACCOMPLISHED REFORM

- » HOWEVER...CONSENSUS IS GROWING!
- » PROTECT TAXPAYERS
- » PRESERVE THE 30-YEAR FIXED-RATE MORTGAGE
- » PROVIDE BROAD ACCESS



**THE LAST  
DEBATE:**

**HOW TO  
PROTECT TAXPAYERS**



# ADMINISTRATION TAKES THE REINS...

- » TREASURY AND FHFA WORKING TOGETHER
- » 52-POINT RECOMMENDATIONS
- » PRESERVE THE 30-YEAR FIXED
- » SHRINK THE ROLE OF GSEs
- » BRING IN MORE COMPETITORS BY CREATING NEW GSEs CALLED “GUARANTORS”
- » LIMIT MBS THAT EACH GUARANTOR MAY ISSUE





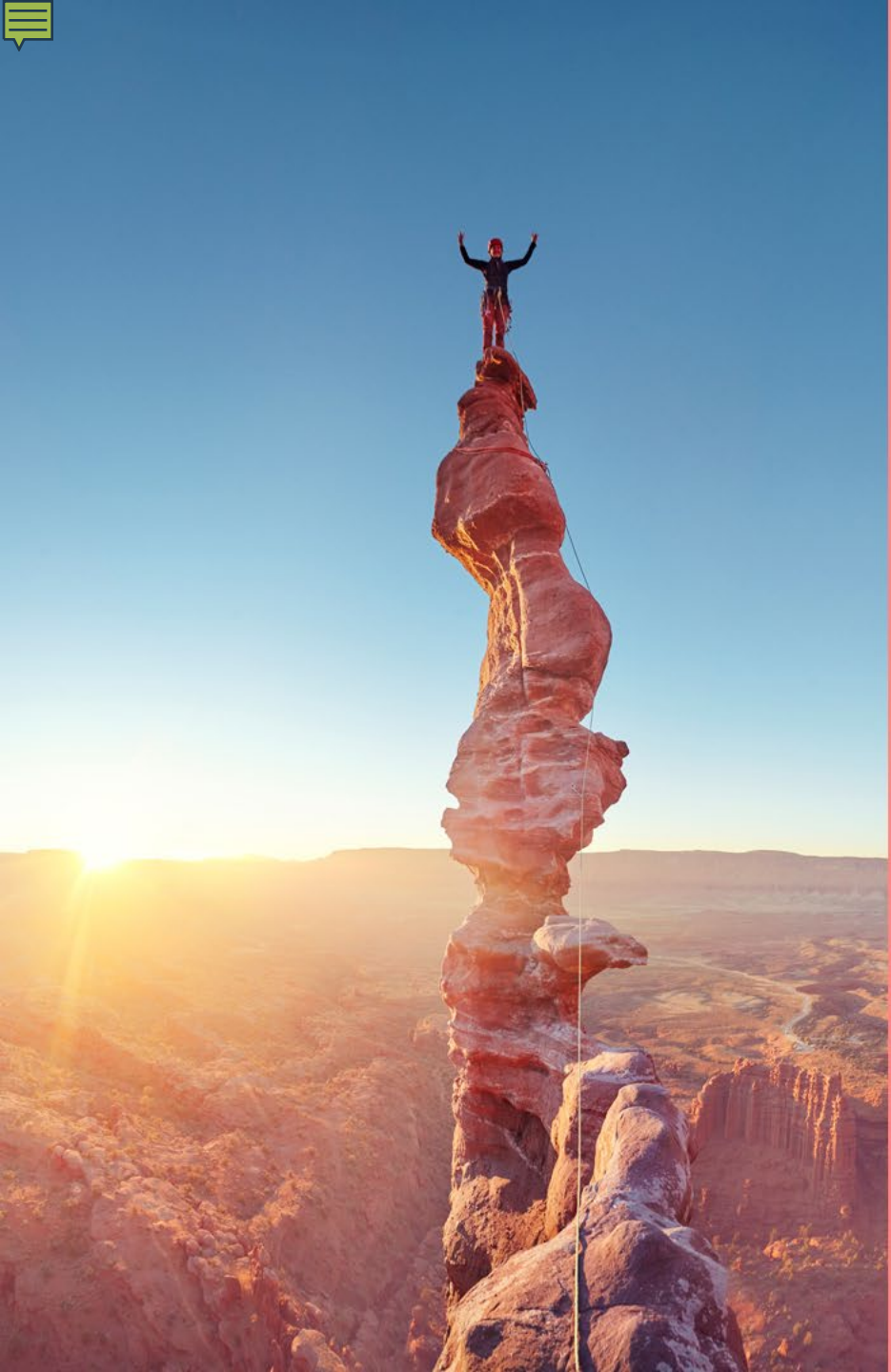
# NAR'S CONCERNS...



**LOTS OF GUARANTORS...**



**...VERSUS PRIVATE UTILITIES**



## BEST OF BOTH WORLDS: MODEL (NAR PLAN)

- » PRIVATE EXPERTISE AND EFFICIENCY
- » INNOVATION YET HEAVILY REGULATED
- » SKIN IN THE GAME (INVESTOR'S \$ AT RISK)
- » FOCUS ON PUBLIC GOALS
- » LOWER COST AND BROAD ACCESS FOR ALL
- » NATIONAL SECURITIZATION INFRASTRUCTURE





## THE NAR VISION WOULD...

- » LOCK IN WHAT'S WORKING TODAY  
(REFORM STEPS ALREADY IN PLACE)
- » PUT PRIVATE EQUITY AHEAD  
OF TAXPAYER LIABILITY
- » PROVIDE ENHANCED FHFA  
REGULATORY OVERSIGHT
- » ENSURE COMPETITION ON  
SERVICE...NOT STANDARDS
- » BE THERE IN A CRISIS!!!



## WORKING TO MAKE THIS A REALITY

- » PARTNERED WITH ACADEMIC AND WALL STREET EXPERTS
- » INTRODUCED FEBRUARY 2019
- » MANY VISITS TO HOUSE AND SENATE
- » SHARED WITH FHFA, TREASURY, NEC,CEA, CFPB AND MORE
- » NAR IS AT THE TABLE!

Your dues dollars at work

# YOU CAN HELP!

PROVEN VALUE OF NAR'S  
GRASSROOTS EFFORTS

- » SUPPORT NAR'S "CALLS TO ACTION"
- » SHARE WITH FELLOW REALTORS®
- » SHARE WITH ELECTED LEGISLATORS
- » BE PART OF THE SOLUTION

THAT'S  
WHO  
WE





# THANK YOU!

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## GSE REFORM...

FOR THE **FUTURE** OF AMERICA'S HOUSING MARKET

MORE INFORMATION AT [NAR.REALTOR/GSES](https://www.nar.realtor/gses)



NARdotRealtor



nar.realtor

