

GSE JUMPSTART REAUTHORIZATION ACT OF 2017

APRIL 24, 2018.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,  
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 4560]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 4560) to suspend contributions by Fannie Mae and Freddie Mac to the Housing Trust Fund during any period that the full required dividend payments under the Senior Preferred Stock Purchase Agreements for such enterprises are not made, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

On December 6, 2017, Representative French Hill introduced H.R. 4560, the “GSE Jumpstart Act Reauthorization”, which would reauthorize the GSE Jumpstart Act of 2015 through January 1, 2019. As enacted into law, the GSE Jumpstart Act of 2015, originally sponsored by Senators Corker (R-TN) and Warner (D-VA), prohibits the sale of Treasury-owned senior preferred shares in Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, without congressional approval. Furthermore, the 2015 law expresses the sense of Congress that Congress “should pass and the President should sign into law legislation determining the future of Fannie Mae and Freddie Mac, and that notwithstanding the expiration of subsection (b), the Secretary should not sell, transfer, relinquish, liquidate, divest, or otherwise dispose of

any outstanding shares of senior preferred stock acquired pursuant to the Senior Preferred Stock Purchase Agreement until such legislation is enacted.”

H.R. 4560 would further prohibit payments to the Housing Trust Fund and the Capital Magnet Fund for any fiscal year in which the GSEs fail to pay any portion of their scheduled dividends to Treasury during that year. Specifically, for any period that the GSEs do not make their full required dividend payments to taxpayers (via the U.S. Treasury through the Senior Preferred Stock Purchase Agreements “PSPAs”), the legislation would suspend the GSEs’ contributions to the Housing Trust Fund and the Capital Magnet Fund for that fiscal year.

#### BACKGROUND AND NEED FOR LEGISLATION

The goal of H.R. 4560 is to reauthorize the GSE Jumpstart Act of 2015 for one additional year and to ensure that the GSEs pay their full required dividend payment to taxpayers before allocating funds to the Housing Trust Fund and the Capital Magnet Fund.

Pursuant to the Third Amendment to the PSPAs, the Applicable Capital Reserve Amount for the GSEs will fall to \$0 on January 1, 2018. After this date, the GSEs will not retain any capital and their entire net worth amount will be swept to the U.S. Treasury on behalf of the taxpayers. Former Federal Housing Finance Agency (FHFA) Director Ed DeMarco said in 2012 the purpose of the Third Amendment to the PSPAs was to “ensure stability” and “fully capture financial benefits for taxpayers.”<sup>1</sup>

Although the GSEs’ capital would fall to \$0 on January 1, 2018, the GSEs still have a \$258 billion line of credit with the U.S. Treasury. According to the Congressional Budget Office, that \$258 billion line of credit already “serves as an effective capital cushion and ensures that, under most circumstances, the GSEs would be able to pay investors who held their debt and mortgage backed securities.”<sup>2</sup>

In the estimation of CBO, allowing the GSEs to retain earnings would in effect convert a potential future draw on federal funds into an immediate one.<sup>3</sup> Furthermore, CBO notes that “the explicit federal backing—and ultimately the risk that taxpayers bear—would effectively be increased by the amount of earnings that the GSEs retained.”<sup>4</sup>

On December 21, 2017, FHFA Director Melvin Watt announced the FHFA and the Treasury Department reached an agreement to deprive taxpayers of the compensation to which they are legally entitled under the ongoing GSE conservatorship. This agreement alters the practice that has been in place for more than half a decade to determine how to compensate taxpayers for the risk of their continued financial backing of these failed mortgage companies. Under the December 21, 2017 agreement, the GSEs increase the allowable

<sup>1</sup>“Changes to Fannie Mae and Freddie Mac Preferred Stock Purchase Agreements,” Statement by Acting FHFA Director Ed DeMarco, October 17, 2012, available at: <https://www.fhfa.gov/Media/PublicAffairs/Pages/Statement-of-FHFA-Acting-Director-Edward-J-DeMarco-on-Changes-to-Fannie-Mae-and-Freddie-Mac-Preferred-Stock-Purchas.aspx>.

<sup>2</sup>“The Effects of Increasing Fannie Mae’s and Freddie Mac’s Capital,” Congressional Budget Office, October 2016, p. 7, available at: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52089-gse-report.pdf>.

<sup>3</sup>*Id.*

<sup>4</sup>*Id.*

amount of net capital they can hold in 2018 and beyond from zero dollars to \$3 billion each—revenue that should be going to taxpayers—meaning the ongoing cost of the conservatorship will increase to \$119.1 billion for Fannie Mae and \$74.3 billion for Freddie Mac. This FHFA announcement makes clear that H.R. 4560 is absolutely necessary to protect taxpayers.

#### HEARINGS

The Committee on Financial Services held a hearing examining matters relating to H.R. 4560 on October 3, 2017.

#### COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on December 13, 2017, and ordered H.R. 4560 to be reported favorably to the House as amended by a recorded vote of 33 yeas to 26 nays (recorded vote no. FC–134), a quorum being present.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto.

The first recorded vote was on an amendment, no. 1, offered by Ranking Members Waters to strike Section 3 of H.R. 4560. The amendment was NOT AGREED TO by a recorded vote of 26 yeas and 34 nays (Record vote no. FC–133). The second recorded vote ordered H.R. 4560 to be reported favorably to the House as amended by a recorded vote of 33 yeas to 27 nays. (Record vote no. FC–134), a quorum being present.

## Record vote no. FC-133

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Hensarling .....		X		Ms. Maxine Waters (CA) .....	X		
Mr. McHenry .....		X		Mrs. Carolyn B. Maloney (NY) ..	X		
Mr. King .....		X		Ms. Velázquez .....	X		
Mr. Royce (CA) .....		X		Mr. Sherman .....	X		
Mr. Lucas .....		X		Mr. Meeks .....	X		
Mr. Pearce .....		X		Mr. Capuano .....	X		
Mr. Posey .....		X		Mr. Clay .....	X		
Mr. Luetkemeyer .....		X		Mr. Lynch .....	X		
Mr. Huizenga .....		X		Mr. David Scott (GA) .....	X		
Mr. Duffy .....		X		Mr. Al Green (TX) .....	X		
Mr. Stivers .....		X		Mr. Cleaver .....	X		
Mr. Hultgren .....		X		Ms. Moore .....	X		
Mr. Ross .....		X		Mr. Ellison .....	X		
Mr. Pittenger .....		X		Mr. Perlmutter .....	X		
Mrs. Wagner .....		X		Mr. Himes .....	X		
Mr. Barr .....		X		Mr. Foster .....	X		
Mr. Rothfus .....		X		Mr. Kildee .....	X		
Mr. Messer .....		X		Mr. Delaney .....	X		
Mr. Tipton .....		X		Ms. Sinema .....	X		
Mr. Williams .....		X		Mrs. Beatty .....	X		
Mr. Poliquin .....		X		Mr. Heck .....	X		
Mrs. Love .....		X		Mr. Vargas .....	X		
Mr. Hill .....		X		Mr. Gottheimer .....	X		
Mr. Emmer .....		X		Mr. Gonzalez (TX) .....	X		
Mr. Zeldin .....		X		Mr. Crist .....	X		
Mr. Trott .....		X		Mr. Kihuen .....	X		
Mr. Loudermilk .....		X					
Mr. Mooney (WV) .....		X					
Mr. MacArthur .....		X					
Mr. Davidson .....		X					
Mr. Budd .....		X					
Mr. Kustoff (TN) .....		X					
Ms. Tenney .....		X					
Mr. Hollingsworth .....		X					

## Record vote no. FC-134

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Hensarling .....	X			Ms. Maxine Waters (CA) .....	X		
Mr. McHenry .....	X			Mrs. Carolyn B. Maloney (NY) .....	X		
Mr. King .....	X			Ms. Velázquez .....	X		
Mr. Royce (CA) .....	X			Mr. Sherman .....	X		
Mr. Lucas .....	X			Mr. Meeke .....	X		
Mr. Pearce .....	X			Mr. Capuano .....	X		
Mr. Posey .....	X			Mr. Clay .....	X		
Mr. Luetkemeyer .....	X			Mr. Lynch .....	X		
Mr. Huizenga .....	X			Mr. David Scott (GA) .....	X		
Mr. Duffy .....	X			Mr. Al Green (TX) .....	X		
Mr. Stivers .....	X			Mr. Cleaver .....	X		
Mr. Hultgren .....	X			Ms. Moore .....	X		
Mr. Ross .....	X			Mr. Ellison .....	X		
Mr. Pittenger .....	X			Mr. Perlmutter .....	X		
Mrs. Wagner .....	X			Mr. Himes .....	X		
Mr. Barr .....	X			Mr. Foster .....	X		
Mr. Rothfus .....	X			Mr. Kildee .....	X		
Mr. Messer .....	X			Mr. DeLaney .....	X		
Mr. Tipton .....	X			Ms. Sinema .....	X		
Mr. Williams .....	X			Mrs. Beatty .....	X		
Mr. Poliquin .....	X			Mr. Heck .....	X		
Mrs. Love .....	X			Mr. Vargas .....	X		
Mr. Hill .....	X			Mr. Gottheimer .....	X		
Mr. Emmer .....	X			Mr. Gonzalez (TX) .....	X		
Mr. Zeldin .....	X			Mr. Crist .....	X		
Mr. Trott .....	X			Mr. Kihuen .....	X		
Mr. Loudermilk .....	X						
Mr. Mooney (WV) .....	X						
Mr. MacArthur .....		X					
Mr. Davidson .....	X						
Mr. Budd .....	X						
Mr. Kustoff (TN) .....	X						
Ms. Tenney .....	X						
Mr. Hollingsworth .....	X						

## COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

## PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R.4560 will protect taxpayers by requiring the Director of the Federal Housing Finance Agency to suspend allocations by a Government Sponsored Enterprise (GSE) to the Housing Trust Fund and the Capital Magnet Fund if such GSE does not make its full required dividend payment to the U.S. Treasury pursuant to the Third Amendment of Treasury's Senior Preferred Stock Purchase Agreement with each GSE.

## NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, February 8, 2018.*

Hon. JEB HENSARLING,  
*Chairman, Committee on Financial Services,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4560, the GSE Jumpstart Reauthorization Act of 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Aurora Swanson.

Sincerely,

KEITH HALL,  
*Director.*

Enclosure.

*H.R. 4560—GSE Jumpstart Reauthorization Act of 2017*

H.R. 4560 would prohibit the U.S. Treasury from selling the senior preferred stock issued by Fannie Mae and Freddie Mac until January 1, 2019. The bill also would direct those entities to sus-

pend annual contributions to affordable housing trust funds if they withhold any of their profits from the Treasury during any quarter in a calendar year.

Using information from the agencies' regulator, the Federal Housing Finance Agency (FHFA), CBO estimates that enacting the bill would not affect the federal budget; therefore, pay-as-you-go procedures do not apply.

In recent years, FHFA has directed Fannie Mae and Freddie Mac to contribute to affordable housing trust funds. Annual contributions to those funds have averaged about \$300 million in the recent past. FHFA can direct Fannie Mae or Freddie Mac to suspend contributions if either entity has a negative net worth. Under H.R. 4560, if either entity withheld profits from the Treasury for any quarter during a calendar year, it would be required to suspend contributions to the trust funds for that year.

CBO estimates that implementing H.R. 4560 would not affect contributions to the affordable housing trust funds because, according to FHFA, there are no plans to direct the entities to withhold future profits from the Treasury.

In addition, according to FHFA, the federal government has no plans to sell the preferred stock issued by the entities. Therefore, prohibiting the sale of the preferred stock until after January 1, 2019, would not affect the federal budget.

On December 21, 2017, FHFA and the Secretary of the Treasury directed Fannie Mae and Freddie Mac to withhold some of their profits from the Treasury and to establish capital reserves of \$3 billion each. The entities must maintain those capital reserves and continue to send any excess quarterly profits to the Treasury. Withholding profit solely for that purpose would not require the entities to suspend contributions to the affordable housing trust funds under the bill because the direction to establish the capital reserves occurred before enactment of H.R. 4650 and, under the bill, would be considered a part of the existing agreement between Fannie Mae, Freddie Mac, and the Department of the Treasury that determines how the entities' profits are used.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

#### FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

## EARMARK IDENTIFICATION

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

## DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

## DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(i) of H. Res. 5, (115th Congress), the following statement is made concerning directed rulemakings: The Committee estimates that the bill requires no directed rulemakings within the meaning of such section.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Short title*

This Section cites H.R. 4560 as the “GSE Jumpstart Reauthorization Act of 2017”

*Section 2. Extension of limitation on sale of preferred stock*

This Section extends for one additional year the “GSE Jumpstart Act of 2015” as enacted into law. Specifically, Section 2 strikes “January 1, 2018” and inserts “January 1, 2019” in subsection (b) of section 702 of division O of the Consolidated Appropriations Act, 2016 (Public Law 114–113; 129 Stat. 3025).

*Section 3. Conservation of capital during periods of low net worth*

This Section broadens the authority of the Director of the Federal Housing Finance Agency (FHFA) with respect to suspending allocations to the Housing Trust Fund and Capital Magnet Funds. Specifically, Section 3 would require the Director to suspend alloca-



tions made by the GSEs to these Funds “for a fiscal year, if, for any Dividend Period ending during such fiscal year, the holders of outstanding shares of Senior Preferred Stock of such enterprise do not receive cumulative cash dividends in an equal amount to the Dividend Amount for such Dividend Period.”

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

**CONSOLIDATED APPROPRIATIONS ACT, 2016**

\* \* \* \* \*

**DIVISION O—OTHER MATTERS**

\* \* \* \* \*

**TITLE VII**

**FINANCIAL SERVICES**

\* \* \* \* \*

**SEC. 702. LIMITATIONS ON SALE OF PREFERRED STOCK.**

(a) DEFINITIONS.—In this section:

(1) SECRETARY.—The term “Secretary” means the Secretary of the Treasury.

(2) SENIOR PREFERRED STOCK PURCHASE AGREEMENT.—The term “Senior Preferred Stock Purchase Agreement” means—

(A) the Amended and Restated Senior Preferred Stock Purchase Agreement, dated September 26, 2008, as such Agreement has been amended on May 6, 2009, December 24, 2009, and August 17, 2012, respectively, and as such Agreement may be further amended and restated, entered into between the Department of the Treasury and each enterprise, as applicable; and

(B) any provision of any certificate in connection with such Agreement creating or designating the terms, powers, preferences, privileges, limitations, or any other conditions of the Variable Liquidation Preference Senior Preferred Stock of an enterprise issued or sold pursuant to such Agreement.

(b) LIMITATIONS ON SALE OF PREFERRED STOCK.—Notwithstanding any other provision of law or any provision of the Senior

Preferred Stock Purchase Agreement, until at least [January 1, 2018] *January 1, 2019*, the Secretary may not sell, transfer, relinquish, liquidate, divest, or otherwise dispose of any outstanding shares of senior preferred stock acquired pursuant to the Senior Preferred Stock Purchase Agreement, unless Congress has passed and the President has signed into law legislation that includes a specific instruction to the Secretary regarding the sale, transfer, relinquishment, liquidation, divestiture, or other disposition of the senior preferred stock so acquired.

(c) SENSE OF CONGRESS.—It is the Sense of Congress that Congress should pass and the President should sign into law legislation determining the future of Fannie Mae and Freddie Mac, and that notwithstanding the expiration of subsection (b), the Secretary should not sell, transfer, relinquish, liquidate, divest, or otherwise dispose of any outstanding shares of senior preferred stock acquired pursuant to the Senior Preferred Stock Purchase Agreement until such legislation is enacted.

\* \* \* \* \*

**FEDERAL HOUSING ENTERPRISES FINANCIAL SAFETY AND SOUNDNESS ACT OF 1992**

\* \* \* \* \*

**TITLE XIII—GOVERNMENT SPONSORED ENTERPRISES**

\* \* \* \* \*

**Subtitle A—Supervision and Regulation of Enterprises**

\* \* \* \* \*

**PART 2—ADDITIONAL AUTHORITIES OF THE DIRECTOR**

\* \* \* \* \*

**Subpart B—Housing Goals**

\* \* \* \* \*

**SEC. 1337. AFFORDABLE HOUSING ALLOCATIONS.**

(a) SET ASIDE AND ALLOCATION OF AMOUNTS BY ENTERPRISES.—Subject to subsection (b), in each fiscal year—

- (1) the Federal Home Loan Mortgage Corporation shall—
  - (A) set aside an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases; and
  - (B) allocate or otherwise transfer—

- (i) 65 percent of such amounts to the Secretary of Housing and Urban Development to fund the Housing Trust Fund established under section 1338; and
  - (ii) 35 percent of such amounts to fund the Capital Magnet Fund established pursuant to section 1339; and
- (2) the Federal National Mortgage Association shall—
- (A) set aside an amount equal to 4.2 basis points for each dollar of unpaid principal balance of its total new business purchases; and
  - (B) allocate or otherwise transfer—
    - (i) 65 percent of such amounts to the Secretary of Housing and Urban Development to fund the Housing Trust Fund established under section 1338; and
    - (ii) 35 percent of such amounts to fund the Capital Magnet Fund established pursuant to section 1339.
- (b) SUSPENSION OF CONTRIBUTIONS.—**【The Director】** *Notwithstanding any other provision of law, the Director shall temporarily suspend allocations under subsection (a) 【by an enterprise upon a finding】 by an enterprise—*
- (1) *upon a finding* by the Director that such allocations—
    - 【(1)】** (A) are contributing, or would contribute, to the financial instability of the enterprise;
    - 【(2)】** (B) are causing, or would cause, the enterprise to be classified as undercapitalized; or
    - 【(3)】** (C) are preventing, or would prevent, the enterprise from successfully completing a capital restoration plan under section 1369C**【.】**; or
  - (2) *for a fiscal year, if, for any Dividend Period ending during such fiscal year, the holders of outstanding shares of Senior Preferred Stock of such enterprise do not receive cumulative cash dividends in an amount equal to the Dividend Amount for such Dividend Period.*

*For purposes of paragraph (2), the terms “Dividend Period”, “Senior Preferred Stock”, and “Dividend Amount” shall, with respect to an enterprise, have the meanings given such terms for purposes of the Amended and Restated Senior Preferred Stock Purchase Agreement, dated September 26, 2008, and entered into between the Department of the Treasury and such enterprise, as such Agreement has been amended on May 6, 2009, December 24, 2009, and August 17, 2012, but such meanings shall not take into consideration any additional amendment to such Agreement made after the date of the enactment of the GSE Jumpstart Reauthorization Act of 2017.*

(c) PROHIBITION OF PASS-THROUGH OF COST OF ALLOCATIONS.—The Director shall, by regulation, prohibit each enterprise from redirecting the costs of any allocation required under this section, through increased charges or fees, or decreased premiums, or in any other manner, to the originators of mortgages purchased or securitized by the enterprise.

(d) ENFORCEMENT OF REQUIREMENTS ON ENTERPRISE.—Compliance by the enterprises with the requirements under this section shall be enforceable under subpart C. Any reference in such subpart to this part or to an order, rule, or regulation under this part specifically includes this section and any order, rule, or regulation under this section.

(e) REQUIRED AMOUNT FOR HOPE RESERVE FUND.—Of the aggregate amount allocated under subsection (a), 25 percent shall be deposited into a fund established in the Treasury of the United States by the Secretary of the Treasury for such purpose.

(f) LIMITATION.—No funds under this title may be used in conjunction with property taken by eminent domain, unless eminent domain is employed only for a public use, except that, for purposes of this section, public use shall not be construed to include economic development that primarily benefits any private entity.

\* \* \* \* \*

## MINORITY VIEWS

H.R. 4560 would require the Director of the Federal Housing Finance Agency (FHFA) to suspend contributions to the National Housing Trust Fund (HTF) and the Capital Magnet Fund (CMF) for any fiscal year in which Fannie Mae or Freddie Mac (collectively, the Enterprises) withhold any dividends owed to Treasury. On December 21, 2017, the FHFA Director and Treasury Secretary announced that they will allow the Enterprises to each withhold \$3 billion from their 2017 fourth quarter dividend payments in order to retain modest capital reserves. This decision will help the Enterprises absorb small quarterly losses moving forward, thereby reducing the chances that either Enterprise will need an additional draw from Treasury. However, this bill would likely require suspension of funding for the HTF and CMF for 2018, and would likely require suspension of funding for these programs in every year thereafter in which the Enterprises retain any level of capital. In short, this bill is a thinly disguised attack on key affordable housing programs that have long been a priority for Democrats.

We support the decision made by the FHFA Director and the Treasury Secretary to allow the Enterprises to retain modest capital reserves. This was an important step to protect the safety and soundness of our housing finance system, and there is no need for Congress to intervene at this time. Under existing law, the FHFA Director is already required to suspend contributions if he believes that such a decision is warranted on the basis of the financial instability of the Enterprises, or other reasons stipulated in statute. The Enterprises are in strong financial condition, having consistently reported net yearly profits since 2012. Further, our country is in the midst of one of the worst rental housing crises that we have ever seen, with approximately half of all renters paying over 30 percent of their income on rent, and approximately one quarter of all renters paying over 50 percent of their income on rent. This is simply not the time to arbitrarily halt funding for key affordable housing programs.

During the Committee's consideration of H.R. 4560, Ranking Member Waters offered an amendment to strip the harmful provisions of this bill (Section 3), while preserving the provision that would simply extend the Jumpstart GSE Reform Act by an additional year (Section 2). This amendment was unanimously supported by Committee Democrats, and unanimously rejected by Committee Republicans. H.R. 4560 does nothing to support the housing finance system, and instead threatens funding for key affordable housing programs. For these reasons we oppose H.R. 4560.

MAXINE WATERS.  
JOYCE BEATTY.  
DANIEL T. KILDEE.  
JUAN VARGAS.

MICHAEL E. CAPUANO.  
CAROLYN B. MALONEY.  
NYDIA VELÁZQUEZ.  
AL GREEN.  
EMANUEL CLEAVER.  
GWEN MOORE.  
STEPHEN F. LYNCH.  
BRAD SHERMAN.  
KEITH ELLISON.

