

Housing in America: Oversight of the Federal Housing Finance Agency
House Financial Services Committee
July 20, 2022

Opening Statements

Chairwoman Waters (D-CA) congratulated Thompson on her confirmation and noted that she is the first black woman to lead FHFA. She discussed FHFA's responsibilities and acknowledged Republican's complaints about the lack of oversight of FHFA. Waters noted that former Director Mark Calabria refused to come before the Committee last Congress. She went on that Calabria's rulemakings hurt borrowers while Thompson's actions have been reasonable and fair. Waters said that Thompson has repealed Calabria's rulemakings, making it easier to buy a home and the process more equitable. She expected full transparency in metrics to show racial equity.

Ranking Member McHenry (R-NC) was grateful for Thompson's appearance and hoped it was the first of many. He said that this hearing is important because Fannie Mae and Freddie Mac along with the 11 FHLBs hold trillions of mortgage assets, making them the most important component of the housing finance system. McHenry added that this hearing is important because it has been over two years since the Committee held a hearing with FHFA and said that there will be many more oversight hearings to come. He believed that Calabria's termination by the Biden Administration was unjustified. McHenry stated that Congress has neglected FHFA and was concerned about the capital and liquidity rules as well as the FHFA's racial equity plans. He discussed the recent mortgage rate and believed that FHFA has weakened housing finance. McHenry said that FHFA is not focused on what matters and stated that inflation and instability need to be prioritized.

Rep. Cleaver (D-MO) stated that FHFA's duty is to ensure that there is equitable access to affordable homes and rental units. He discussed the lack of affordable housing especially in minority and LMI communities.

Rep. Hill (R-AR) urged the Committee to recognize that it is an annual statute to have the FHFA Director testify. He said that FHFA has a huge influence over the housing market and the economy. Hill wanted to hear about Thompson's vision of FHFA, FHFA's 2021 Report to Congress, her plan to finalize the overdue new products and activities rule, and her plan to protect taxpayers.

Witness Testimony

The Honorable Sandra Thompson, *Director, Federal Housing Finance Agency*, reflected on her 30-year career as a federal regulator and noted that she has worked through two financial crises. She turned to the GSE conservatorship and noted that there is a long way to go for the GSEs to meet their capital requirements. Thompson discussed the changes to the capital framework which has provided the GSEs with the necessary incentives to transfer mortgage credit risk to private investors. She turned to the rising home prices and the weaning housing supply and shared the concern about the lack of affordable housing. Thompson pointed to steps that the FHFA has taken to increase the supply of multifamily rental housing, such as raising the Enterprises' LIHTC investment allocations. She added that they require that 50% of the Enterprises' multifamily business be business driven affordable housing. Thompson added that they have also asked the Enterprises to strengthen their Duty to Serve (DTS) plans. She noted

that the Enterprises will consider a renter's positive rental history in the underwriting of a mortgage, data that has not traditionally been used. Thompson then discussed the FHLBs and their support for small and community banks. She said that they are re-examining the approach of the FHLBs as they reach their 100-year anniversary.

Member Questions

Chairwoman Waters (D-CA) said that FHFA has taken steps to address the racial homeownership gap by looking at appraisal disparities, increasing affordable refinance options, and publishing the GSE plans to address racial inequities in the business plans. She asked about Thompson's approach to target inequities in the housing market. Thompson replied that everything FHFA does will be grounded in safety and soundness and said that FHFA has focused on underserved communities where there is lack of access to liquidity. She added that FHFA has asked the GSEs to look at historically redlined areas to ensure that there is an equal access to credit. Thompson discussed how Fannie and Freddie are incorporating positive rental payments into underwriting and said that paying your rent on time should be a factor. Waters stated that there are still areas where home buyers can still purchase homes for \$100,000 but only if someone can pay in cash due to the lack of small dollar loans. She asked if FHFA can do anything to encourage more small dollar mortgage lending or if the FHFA needs additional legislative authority here. Thompson replied that small dollar mortgage or refinance is important and FHFA is looking to find ways to enhance this.

Ranking Member McHenry (R-NC) started with oversight saying that under the statute, there is a requirement to testify annually and asked if this was Thompson's intention. Thompson said that she is happy to be available to the Committee when need be. McHenry asked about the state of the housing market. Thompson replied that there has been a persistent supply issue and when you look at the rising interest rates, lack of supply, and rising cost, it is difficult for prospective borrowers to get homes. She looked at the mortgages Freddie and Fannie are buying and noted that 2021 was a record year for refinancing. McHenry went on saying that there are pros and cons of conservatorship and asked Thompson about this. Thompson replied that it was no one's intention to have the GSEs in conservatorship for this long. She said that the one con is the uncertainty of the status of the Enterprises and said that the conservatorship has been an issue for the past six FHFA directors. Thompson believed that there are pros and cons, and that the decision is up to Congress.

Rep. Meeks (D-NY) found that a barrier to home ownership for communities of color is student debt. He asked about how the GSEs weigh student debt differently. Thompson replied that student debt is assessed differently, and she would be happy to work with Meeks in the future. Meeks found that there has been a lot of growth in fintech innovation, saying that fintechs are changing the landscape for loans. He asked, given this rise in fintech, what the benefits and risks are, what FHFA will look at regarding fintechs, and what the impact on racial equity is. Thompson referred to the recent announcement of FHFA's fintech office and thought that there are opportunities for fintech in the mortgage space to make the process cheaper, faster, and with the use of technology, there are good risk management practices. She talked about the amount of refinancing happening during the pandemic and the lack of appraisers due to the pandemic and said that the Enterprises started doing desk appraisals which has now been made permanent.

Rep. Wagner (R-MO) asked what precautionary and preemptive steps FHFA is taking with the GSEs with lack of housing, unsustainable appreciation, and inflation. Thompson clarified that when she talks about access to credit and affordability, she also talks about sustainability and emphasized the importance of borrowers understanding their loans and what they can afford. Wagner said that Calabria had a clear plan for the GSEs and asked about Thompson's vision for GSE reform. Thompson replied that there are steps to ensure that GSEs run in a sound manner and said that there is \$80 billion in capital between Fannie and Freddie. She added that the GSEs are being allowed to transfer credit risk to the private sector. Wagner said that the FHFA, under Thompson, revised Calabria's rule on capital and asked if, prior to doing this, the FHFA took into consideration capital requirements. Thompson replied that the number that will be required is \$300 billion and the purpose was to move to credit to the private investors. Wagner asked if it makes sense to strengthen the capital reserve. Thompson agreed and added that it is also important to transfer the credit.

Rep. Scott (D-GA) discussed the foreclosure pause for 60-days during the pandemic using pandemic mortgage relief and asked how many mortgages were impacted. Thompson replied HAF was an important program and while she did not have a specific number of borrowers, she knew that around 96% of the borrowers who were placed in forbearance plans by the GSEs have now exited those plans. Scott asked about FHFA's projections of how many borrowers will be able to make payments after leaving forbearance. Thompson replied that there are about 90,000 borrowers still in forbearance plans and 96% of those who entered forbearance plans have now exited them. She believed that their modification plans, such as deferred payments, will have successful outcomes. Scott discussed racial inequality in housing and said that the black homeownership rate has virtually stayed the same as it was in 1968 and he was startled by this. He asked what steps FHFA is taking to ensure that first time buyers and first-generation buyers can become homeowners. Thompson answered that there were a lot of gains made but a lot of losses in the Great Recession. She said that one way to close the racial equity gap is through homeownership and discussed programs at the GSEs that provide education to homeowners and thought that incorporating rental payments into credit scores would be helpful.

Rep. Sessions (R-TX) was interested in hearing about equality and gender and how Thompson applies that to FHFA and how that is being applied to the loan taking process. Thompson replied that FHFA is responsible for adhering to the Fair Housing Act. Sessions asked if FHFA has done anything new. Thompson replied that FHFA's responsibility is to comply with the law and regulations and said that the programs at Fannie and Freddie are applied to everyone. Sessions wanted to make sure a bubble was not created by federal policy.

Rep. Green (D-TX) talked about how people who pay rent on time are likely to pay their mortgage on time and referred to his legislation, HR 123, and asked if this would conflict with what FHFA is doing with alternative credit. He added that his legislation would have additional credit alternatives like utility and phone payments. Thompson believed that alternative credit data is important and was happy to look at his legislation. Green was concerned about the lack of homes available to first time homebuyers. He was concerned about predatory purchasing, where corporations are buying up homes to rent them out and asked how we ensure homes are on the market for first time buyers. Thompson was familiar with this issue and said that in 2018, FHFA prohibited the GSEs from allowing institutional investors from purchasing single family homes

or loans. She continued that FHFA has a First Look Program, which is a 30-day window where a nonprofit or potential borrower can look at these properties before an investor can, and then highlighted the importance of affordable mortgages.

Rep. Posey (R-FL) asked what FHFA has done to improve the safety of the loans securitized by these agencies. Thompson replied that a lot of risk was removed through refinancing and said that with increased home prices, the loan to value ratios have decreased on the Enterprises' portfolio which means that homeowners' equities have increased. She added that FHFA monitors the loan characteristics of loans purchased by the Enterprises and said that everything the GSEs do is looked at through safety and soundness. Posey pointed to how the FTC and DOJ are reviewing a merger between mortgage softwares ICE and Black Knight and asked if she had any concerns about this big tech merger and its impact on the GSEs and potentially consumers. Thompson had no comment. Posey asked if she had any plans to remove Fannie and Freddie from conservatorship. Thompson replied that the GSEs are building up its capital and transferring credit risk, but ultimately, this is up to Congress. Posey asked about the administration's vision to increase the private sector's role in the secondary mortgage market. Thompson knew that the Enterprises play a countercyclical role in the mortgage market, pointing to what happened during the Great Recession and the pandemic. Posey asked if it makes sense to limit government exposure in the secondary market to activities that meet objectives for LMI homeownership and leave the remainder of the market to the private sector. Thompson replied that the statute requires that FHFA provide liquidity to all Americans based on their eligibility and thought that that is something that would have to be decided by Congress.

Rep. Cleaver (D-MO) was interested in manufactured homes and said that there seems to be an appraisal bias against manufactured homes. He was trying to figure out how to remove the barriers for a significant source of affordable homes and hoped that Thompson could address the barriers and ensure that the Enterprises' guidance will ensure accurate appraisals. Thompson agreed that manufactured housing can be very beneficial to the affordable housing issue and said that she is working with the Enterprises on this appraisal issue. She added that there was a housing event she went to recently where she saw manufactured homes and said that the issue of appraisals was raised, and she is committed to working with the Enterprises on this specific issue. Thompson thought that manufactured housing can be a really good solution to affordable housing supply.

Rep. Luetkemeyer (R-MO) referenced the capital rule Thompson proposed and was glad to see the \$300 billion target for the GSEs. He asked if \$300 billion is the point at which conservatorship can end. Thompson replied that when the GSEs meet the capital requirement that is one of the steps of exiting conservatorship, but there are a number of issues that need to be worked through. Luetkemeyer pointed to moving risk to the private sector and asked if she had a targeted amount or percentage. Thompson replied that the FHFA sets targets for the Enterprises to transfer credit risk each year and they have to transfer around 90% of risky loans. She said that they look at the Enterprises' book on this to ensure they are transferring the right amount to private investors. Luetkemeyer turned to CECL and asked if Thompson is working with the new CECL regulations at this point and adjusting reserves for that accounting rule. Thompson was sure that the accounting office was working on this but was not sure of the effect. Luetkemeyer discussed inflation and the impact on homebuyers and asked if Thompson talks to the President

on affordable housing. Thompson replied that she has talked to the President about affordable housing and inflation.

Rep. Vargas (D-CA) asked what the inflation rate in England is, saying that many industrialized countries have the same, if not higher, inflation rates. He said that inflation is impacting the whole world. Vargas discussed housing inflation and asked Thompson to talk about how the appreciation impacts Americans who need affordable housing. Thompson replied that the rising rates and lack of supply has exacerbated affordability, but they are seeing a little bit of easing in the increase in home prices. She said that there are pockets where there are huge increases in home prices and FHFA is trying to figure out ways to be helpful. For multifamily housing, she said that Fannie and Freddie are purchasing multifamily loans and are required to ensure that 50% of the units are affordable. Thompson added that they have expanded their LIHTC allocations which goes to affordable housing across the country. Vargas worried that there will be people who cannot afford their mortgage and will need flexibility and asked about foreclosures here. Thompson replied that at the start of the pandemic, 200,000 borrowers entered into forbearance and now there are around 90,000 borrowers in forbearance. She emphasized FHFA's focus on home retention.

Rep. Barr (R-KY) rebutted what Vargas said about international inflation and said that the US has inflation due to bad fiscal policy compounded by monetary policy errors. He was concerned about the increased risk taking by the Enterprises and said that requiring the Enterprises to do credit risk transfers is a check on its safety and soundness. Barr asked Thompson what FHFA is doing to ensure that the Enterprises shed this risk to private markets. Thompson replied that credit risk transfer is very important for safety and soundness and said that the credit risk transfer program has been very effective since its start in 2013. She added that every year, FHFA sets credit risk transfer requirements for the GSEs, and they meet regularly to ensure these requirements are met. Barr turned to Thompson's role on FSOC and noted the importance of allowing credit risk transfer (CRT) through the private bank capital requirements. He said if the capital requirements are too high, it's an impediment to CRT. Barr asked if Thompson had talked with Barr and other bank regulators on the appropriateness of also giving banks capital credit for CRT. Thompson was happy to have this conversation with Hsu, Barr and Gruenberg. Barr thought this was important and noted the new loan limits on single family homes. He asked if FHFA should reevaluate the 2022 conforming loan limits to ensure that Fannie and Freddie are serving LMI individuals. Thompson replied that this is a statutorily required calculation that they do every year and that FHFA is following the law as written.

Rep. Sherman (D-CA) thought that the GSEs should be government agencies because Fannie and Freddie make money for the government and that America would not have a 30-year fixed rate mortgage without Fannie and Freddie. He asked why we have higher fees on some conforming loans in higher cost areas and why all conforming loans are not treated equally. Thompson replied that conforming loans are statutorily required and for many of them, especially in high-cost areas, borrowers do not have to pay fees depending on their income. Sherman moved on to PACE loans and how under PACE loans there is a superior lien. He asked why FHFA is not requiring the GSEs to modify their form to clarify that under Paragraph 4 cannot get around the requirement of calling a first mortgage a second mortgage by just calling it a part of your property taxes. Sherman asked why we do not amend this to protect the GSEs.

Thompson replied that she can look into this and the Enterprises having a priority lien status is important. Sherman also hoped that Thompson would change the lending caps on multifamily because the rents are too damn high.

Rep. Williams (R-TX) noted the 14-year GSE conservatorship and asked if there are any negative consequences of keeping the GSEs in conservatorship. Thompson replied that FHFA is making sure that the GSEs are retaining capital and earnings. She agreed that there are pros and cons to conservatorship and deferred to Congress. Williams was concerned with the one-size-fits all approach to lease terms in the manufactured housing space that conflict with state laws. He said that this decision was made without stakeholder input and asked if Thompson was concerned that her agency unilaterally decided a single federal standard that is in conflict with state laws and if she would commit to working with stakeholders on a better solution. Thompson believed that tenant protections are important and noted that they did have conversations with stakeholders prior to this decision. Williams asked how reversing Calabria's rule on limiting the GSE's ability to purchase mortgages from second and vacation homes further the mission of the FHFA. Thompson replied that FHFA did not reverse that but put it on pause and said FHFA is looking at the loan characteristics along with other metrics to ensure safety and soundness.

Rep. Foster (D-IL) referred to Committee passage of his cybersecurity bill which would allow FHFA to regulate and examine third party service providers of its regulated entities. He continued that FSOC noted in its 2021 annual report that FHFA and other agencies have limited authority to supervise third party service providers. Foster was concerned about the risk that third parties may pose to financial regulators and institutions given the interconnectedness of the system. He asked what FHFA's current authority is over third-party service providers for Fannie, Freddie, and the FHLBs. Thompson replied that FHFA has been asking for third party service provider oversight for years and this is similar to what the bank regulators have through the Bank Service Company Act. She said she was surprised that FHFA did not have this authority already because the services provided to the regulated entities could impact the regulated entities' safety and soundness. Foster asked if it would be helpful for the FHA to also have this authority. Thompson only wanted to speak for the FHFA. Foster talked about how the lack of affordable housing has locked people out of homeownership. He continued that the lack of supply has led to record year over year home appreciation and how there are concerns about a housing bubble. Foster noted the reforms since the housing crisis and asked if she was concerned that this record housing appreciation could create bubbles in certain markets. Thompson replied that she shared his concerns about the lack of housing supply, and they have encouraged GSEs to expand their LIHTC allocations. She said that anything that FHFA can do to be helpful, it will do.

Rep. Hill (R-AR) referred to the September 25, 2020, FSOC meeting, which Thompson attended, and pointed to a statement on the secondary mortgage market at this meeting which said that any financial stability risk from Fannie and Freddie had to be mitigated by new FHFA capital rule. Thompson acknowledged that she voted in favor of this statement, and she was not sure if she would have supported it if she was head of FHFA. She said that the statement was issued at a time when there was just a proposed rule and lots of questions around CRT. Hill continued that there was an effort around then about the GSEs to gather capital and become stronger and asked if Thompson was supportive of the GSEs building capital. Thompson said yes. Hill asked why Thompson cut the capital ratio from 4% to 3%. Thompson replied that they

issued a rule through notice and comment to make the leverage ratio buffer dynamic instead of static. She said that this is something the bank regulators did as well and one of the concerns raised was that the leverage ratio was becoming a binding constraint, so FHFA wanted to ensure that the leverage ratio served as a credible backstop for the risk-based capital. Hill said that stress testing is important for risk and pointed to the high CPI inflation rate in June. He said that the stress test implies that the inflation will be 1.5% between 2022 and 2025 and asked if that seemed low. Thompson replied that the stress test scenario for this year has not been released yet and it will be released in August. Hill was happy to hear this and said that Thompson did not mention the Pending Projects and Activities rule in her testimony. He asked when this rule is expected to be finalized. Thompson said that the rule will be finalized in the near term. Hill looked at the pilot Transparency Framework and Equitable Housing Finance Goals and thought that the rule should be in place first. He entered Senators Toomey and Tillis's July 19 letter to Thompson into the record.

Rep. Beatty (D-OH) discussed the affordable housing issue and was impressed that Thompson was exploring the high cost of housing. She asked Thompson if she was aware of OMWI and if FHFA has an OMWI director. Thompson replied yes and that the OMWI director reports to her. Beatty discussed the GSEs' contribution to the Housing Trust Fund and welcomed that contribution but said that even with this, the Housing Trust Fund is still short and asked the impact if the fund was doubled. Thompson replied that the GSEs' contribution is made through statutory formulas based on attributions and said that the amount of loans purchased by Fannie and Freddie determine the contribution. Beatty discussed her plan to reintroduce the GROW Act.

Rep. Rose (R-TN) expressed concerns about the legislation attached to this hearing and thought they would only increase inflation. He referred to Thompson's confirmation hearing and how Thompson believed safety and soundness are not mutually exclusive and asked Thompson to commit to prioritizing issues at FHFA that promote safety and soundness and access to credit. Thompson reaffirmed her commitment to this and added that the GSEs also are required to promote equality in the housing market. Rose asked about the direct mortgage pilot program. Thompson would have to take a further look at the results and the impact. Rose asked if GSE conservatorship needs to end. Thompson repeated that no one expected the conservatorship to last this long and said that her priority is to ensure the GSEs run as effectively as possible. She emphasized that ending the conservatorship is not an easy or immediate process. Rose renewed a statement he made to Calabria on compensation at the GSEs prior to the 2008 crisis and said that we need to be sensitive to the taxpayer.

Rep. Lawson (D-FL) asked about pilot programs FHFA has that will allow the GSEs to purchase non-conforming loans for CDFIs in efforts to close the racial wealth gap. Thompson replied that FHFA required the GSEs to provide equitable housing plans to address barriers and discussed the pilot program to include rental payments into credit scoring and underwriting. Lawson asked what more GSEs can do for those who are trying to transition from renting to home buying. Thompson replied that the GSEs have first-time homeownership programs and believed that there is a lot of information out there by the GSEs on homeownership and credit worthiness. Lawson turned to climate change and asked what FHFA is doing to confront challenges due to climate change. Thompson thought of climate change and housing in terms of natural disasters and wanted to make sure that the GSEs are well positioned to address natural

disasters that come up. She added that good programs need to be in place to help borrowers in their time of need and ensure that homebuyers know that they do not need to worry about their mortgage in times of crisis.

Rep. Davidson (R-OH) asked if, assuming all borrowers were hypothetically given a fixed sum to buy a home, it would increase home prices by the same amount Thompson thought it was hard to tell and was not sure how the market would react. Davidson thought that when we subsidize, the price becomes more inflated and had this concern with the Fed when it was purchasing mortgage-backed securities (MBS) which he saw as an indirect subsidy. He asked what Thompson thought about this now that the Fed is not purchasing MBS. Thompson said the Fed has allowed some MBS to fall off and she was not sure of the full impact of their actions, but she has not seen any negative impacts yet. Davidson thought this increased home prices and was encouraged to see FHFA's announcement of the Office of Financial Technology. He asked about the opening of this office. Thompson replied that what's implemented through guidance and statutory regulation depends on the regulator and said that each of the regulators have opened up a similar office. She said they want to focus on technology's impact on the mortgage industry and how technology is being used here.

Rep. Gottheimer (D-NJ) asked what the greatest obstacle is for housing supply and asked what more Congress can do. Thompson replied that this issue is not new and said that the supply chain issue is a domino effect. She was happy to work with Congress on what could increase supply. Gottheimer asked what policies FHFA is pursuing to increase affordable housing. Thompson continued that FHFA only indirectly impacts affordable housing and said that FHFA can incrementally impact housing by allowing the GSEs to allocate LIHTC in rural areas. She added that they have also encouraged the GSE's to look at their existing ADU programs and manufactured housing programs which they think will be very beneficial for housing supply in rural areas. Gottheimer discussed the credit score evaluation that has been ongoing for seven years and did not think a multiscore system is a viable consideration because it strengthens the credit bureaus. He asked how the Lender Choice option could address the vertical integration threats, consumer confusion, and other problems. Thompson said that FHFA has not made a decision on a credit score model yet and they have traditionally used FICO. She went on that there are things like utility and rental payments that should impact credit scores. Thompson said that making updates to the credit score model is something FHFA takes very seriously because it will have significant operational and cost impacts. Gottheimer asked for a sense of timing. Thompson replied that this is not an easy decision as it impacts many stakeholders.

Rep. Loudermilk (R-GA) asked where FHFA is on the final approval of the rule for Prior Approval of Enterprises products. Thompson replied that FHFA is in the process of finalizing the rule. Loudermilk asked if the pilot transparency framework would replace this rule. Thompson replied no and said that FHFA is going through comments on the proposed rule and will use those to make the final rulemaking. Loudermilk said that there should be equity in all that Congress does but said that when a policy is based on race, that is unconstitutional. He wanted to make sure that any racial equity plans are based on the Constitution and referred to the GSE racial equity plans. Loudermilk wanted to make sure that going forward, this is understood. Thompson assured him that FHFA fully intends to comply with the law and said that the equitable housing plans will benefit everyone in underserved communities. Loudermilk turned to

subsidies and asked how she reconciled Treasury raising interest rates to suppress demand and the GSEs artificially stimulating demand through homebuyer subsidies. Thompson replied that everything FHFA does is with a focus on safety and soundness, and this includes sustainable access to credit.

Rep. Axne (D-IA) thought that manufactured housing was a great way to get people into homes and discussed predatory rent and fee increases in a community backed by Fannie Mae. She discussed tenant site lease protections (TSLPs) from FHFA and Fannie and how the community facing these increases had TSLPs. She asked if the residents here are actually being protected. Thompson replied that FHFA discourages Fannie and Freddie from buying loans without TSLPs and she would need to look at the community Axne is specifically talking about. Axne asked Thompson to explain what the DTS obligations are and if this purchase meets those obligations. Thompson replied that to meet DTS obligations, tenant protections are required. She added that DTS covers three areas: rural, manufactured housing, and affordable housing preservation. She continued that FHFA assesses the GSE's plans, and their progress is assessed on an annual basis. Axne wanted to see the protections strengthened and give residents a strong right of first refusal to enable them to buy their communities. She agreed with Thompson that manufactured housing could be much more impactful but only if there are tenant protections in place.

Rep. Gonzalez (R-OH) saw a clear supply and demand imbalance in the housing market. He asked what more FHFA could do to build more affordable housing beyond increasing the equity investment gap and if the GSEs can encourage lenders to make low-cost loans available for builders to make low-cost starter homes. Thompson would have to look at the charter requirements for Fannie and Freddie on that particular issue. Gonzalez asked what more could boost supply. Thompson replied that Fannie and Freddie have very little impact on supply and on the multifamily side, they have discussed increasing LIHTC location, and on the single-family side, FHFA is looking at ADUs and manufactured housing. Gonzalez continued that even with subsidies, that still does not solve the supply issue. He asked what steps FHFA is taking to ensure that, in the event of a market downturn, taxpayers will not be responsible for bailing out the GSEs. Thompson replied that the GSEs were allowed to retain all the earnings they made a year ago, which is about \$80 billion in capital, and in addition to that, the GSEs are engaged in the CRT program so that the private sector can absorb some losses to protect the taxpayer in the event of a downturn. Thompson felt comfortable with the safety and soundness of the GSEs.

Rep. Casten (D-IL) said that from 2010-2020, we saw median wages grow 9% while median home prices went up 50% showing that it has gotten harder for Americans to buy their first home. He continued that the Fed does not raise interest rate prices at the same rate as growing housing prices and asked if housing prices should be put back into the CPI. Thompson had not thought about housing going back into CPI and would get back to him on this. She continued that FHFA tries to balance all the market factors that pertain to the activities of the regulated entities. Thompson added that FHFA has restrictive programs in place that do not allow loans to be made that cannot be paid. Casten said that FHLBs do not have the same conflict that Fannie and Freddie have in terms of conservatorship. He wondered if we learn lessons from the FHLBs and could change the structure of the GSEs coming out of conservatorship. Thompson said she was open to having a conversation on this.

Rep. Steil (R-WI) asked if FHFA's response to the pandemic fell short. Thompson replied that FHFA worked with the regulated entities to keep people in their homes and protected tenants in unprecedented times. Steil agreed that FHFA navigated the pandemic fairly well. He was curious about the capital requirements and how Thompson is building this up under her direction as a regulator and conservator. Thompson replied that FHFA has a supervision team for the enterprise and a supervision team for the FHLBs along with a conservator team. Steil asked if it is a goal of Thompson's to continue to build capital at the GSEs. Thompson said yes. Steil continued on a portfolio cap on vacation homes and investment properties and was curious why Thompson repealed this rule because this action does not seem to reduce risk. Thompson replied that the GSEs and FHFA monitor risk and said that many of the investor properties are in LMI communities while vacation homes are often in higher income communities. She continued that FHFA monitors the risk of investment properties and second homes and said that she did not remove this. Steil was concerned about this.

Rep. Pressley (D-MA) discussed modern day redlining and referred to special purpose credit programs (SPCPs) to promote credit access through the GSEs and said that these programs are underutilized. She asked Thompson how she is ensuring that these programs will reach minority borrowers. Thompson referred to the GSEs' equity plans and the SPCPs and believed that the SPCPs will be a really good way to facilitate equity. Pressley asked Thompson if she would commit to eliminating low level price adjustments and if this change could help homebuyers actually achieve equitable access to homeownership. Thompson replied that FHFA has asked the GSEs to undertake a holistic pricing review and they will look at the submissions and take into consideration the impact pricing has on communities of color. Pressley asked what policy options the FHFA is considering to offset rising interest rates and assist first time homebuyers. She asked if post-purchase housing counseling or a reserved account to assist borrowers would help. Thompson thought that post-purchase counseling is very helpful and also thought that liquidity reserves are important as well for when a water heater breaks, or other unexpected expenses occur.

Rep. Timmons (R-SC) asked if Thompson was involved with any hiring for FHFA interns and if she was familiar with the pay. Thompson was not involved with the hiring and had no familiarity with the pay scale and said that FHFA works with other regulators on the pay scale. Timmons asked if she thought interns made over \$100,000 and if so, if they should be subject to ethics. Thompson said that everyone should be subject to ethics requirements. Timmons referred to the 2015 law, the Equity in Government Compensation Act, which capped the compensation for GSE CEOs at \$600,000 and in 2019, the FHFA IG found that the GSE sought to evade this by creating other senior roles. Timmons asked if this law applies to anyone beyond the CEO and if there are any current GSE employees who make more than \$600,000. Thompson did not believe so but would check. Timmons wanted to follow up on this.

Rep. Adams (D-NC) discussed the affordable housing crisis and her legislation, *the Lifeline Act*, which would allow states and cities to use the already allocated fiscal recovery fund dollars to serve as gap financing for housing that utilizes LIHTC. She asked if enabling this could help the housing shortage. Thompson wanted more information on that and would work with her on this. Adams knew that FHFA had been looking at a new credit score model and asked Thompson to provide an update on this. Thompson replied that FHFA has not made a decision yet on the

update for a credit score model and said that the GSEs went through its oversight process and now FHFA is doing its oversight process. She wanted to make sure FHFA got as much stakeholder involvement as possible. Adams talked about third- and fourth-party servicers and asked Thompson of any safety and soundness concerns if those core providers were to fail. Thompson said FHFA wants the same regulatory authority as the bank regulators when it comes to oversight of third-party service providers to ensure safety and soundness.

Rep. Norman (R-SC) asked why someone can get a taxpayer backed loan for a second home from Fannie and Freddie for up to \$1 million. Thompson replied that the GSEs are allowed to buy second homes as long as the loans meet the required qualifications. Norman questioned if this sends a bad message to Americans. Thompson elaborated that there are different loans for second homes apart from loans for single family homes which are the bread and butter of the GSEs. Norman asked if the President realizes the severity of issues his policies are causing like energy policy. He turned to the GSEs and the private sector and asked about the discount rate. Thompson replied that capital markets transactions are sold using a syndicated structure similar to MBS and are sold based on the market rate available at that time. She added that different tranches of securities are sold at different times and said that sometimes the spreads are wider than others and that many times some of the transactions are oversubscribed which means that the spread can be tightened. Thompson was trying to preserve and conserve the assets of the Enterprises for the taxpayers.