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## Recommendations for Administrative Reform

### REDUCE DUOPOLISTIC MARKET POWER OF THE GSEs

1. The Administration should limit Fannie Mae and Freddie Mac's ("the GSEs") activities to secondary market functions that include areas that the private market cannot and does not currently do, to preserve the "bright line" separation between primary and secondary mortgage markets.
2. New products, activities, or pilots should only be allowed when there is clear and compelling evidence that the GSEs are needed to fill a market void that the private market cannot meet. Products and pilots that impact private market participants since the GSEs entered into conservatorship should be subject to an Administrative Procedure Act (APA) compliant process to afford stakeholder assessment, comment, and judicial review.

### INCREASE TRANSPARENCY

1. The Administration should publish the *current* Conservatorship Capital Framework (CCF) and the models as well as any future proposed framework. This would be a major first step to increase transparency and understanding about the levels of capital appropriate for the GSEs and pricing decisions.
2. The Administration should promote reforms to address greater transparency around the federal government's policy on homeownership and the government's role in supporting sustainable homeownership by clarifying which borrowers should be served by the conventional market that is backed by private capital and which are better served by the government-insured market.
3. The Administration should require the GSEs' automated underwriting systems (AUSs) and standards to be fully transparent to provide loan-level data and decisioning requirements that drive credit and pricing decisions in order to promote prudent risk taking, appropriate market discipline, and competition within the marketplace.

### EXPAND PRIVATE CAPITAL AND REDUCE TAXPAYER RISK

1. The Administration should strengthen and enhance the sources of permanent private capital standing in front of the GSEs. To reduce the GSEs' and government's dominance in the housing finance market and promote greater transparency and accountability, the Administration should require that there be greater reliance on entities that are able to prudently underwrite and hold mortgage credit risk during all market cycles. Further, credit enhancement should be done at the time the loan is originated and done at the loan level.
2. A government guaranty should be remote—drawn on only in catastrophic scenarios.

### PROMOTE A STRONG REGULATOR THAT ESTABLISHES UNIFORM STANDARDS AND USES TRANSPARENT PROCESS TO ASSESS GSEs' ACTIVITIES AND PRODUCTS

1. The Federal Housing Finance Agency (FHFA) should not be able to put its role and responsibilities as conservator ahead of its role and responsibilities as regulator.
2. USMI supports the FHFA promulgating strong risk-based capital and operational standards for all credit enhancement providers to ensure the availability of first-loss, loan-level credit enhancement across market cycles.
3. The FHFA should aim to create uniform and transparent standards that promote a level playing field that does not advantage a certain class of entities over others.
4. The FHFA should implement a transparent approval process for new activities and products (including pilots) that complies with the APA and includes a public comment period to allow all interested stakeholders to provide beneficial feedback on how new activities or products could affect the strength of the housing finance system and access to mortgage credit.