Dear Acting Director Thompson,

The Structured Finance Association[1] ("SFA") appreciates the foresight demonstrated by FHFA in setting forth a 5-year Strategic Plan, and welcomes the opportunity to provide comments. Our comments will focus on the indispensable role of private capital within our housing finance system.

In recent years, SFA has provided feedback[2] to the FHFA on the importance of private capital in housing finance, particularly in relation to FHFA proposals for Enterprise capital requirements. As we noted in our November 2021 letter, SFA believes the most recent proposed Enterprise Capital Plan takes important steps towards recognizing the need to move away from a system that relies on taxpayer backing. However, the fact that multiple proposals on GSE capital have been released in recent years—in addition to other requests for comment and proposed rulemakings—demonstrates that this is an iterative process that will require fine-tuning and calibration to achieve optimal outcomes. We expect that future iterations of various aspects of the GSEs business will be necessary at multiple points over the next five years.

In this ongoing process, FHFA should work diligently to ensure that the stakeholders have a clear understanding of the role of the GSEs, and that the GSEs do not inadvertently work to crowd out other sources of investment. Rather, FHFA should have the GSEs focus on their core mandate as it relates to providing liquidity and stability, as well as affordability in both single family and multifamily housing. Having the GSEs focus on their core mandates will likewise enable sources of private capital to focus on the competitive markets where they are best positioned to provide financing, and do so without risking taxpayer dollars.

We are encouraged by two recent examples of such policies from the FHFA. First, as previously mentioned, the most recent Enterprise Regulatory Capital Framework ("ERCF") takes important steps, particularly as it relates to capital relief afforded to the GSEs to engage in Credit Risk

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[1] The Structured Finance Association is the leading securitization trade association representing over 370 member companies from all sectors of the securitization market. Our core mission is to support a robust and liquid securitization market and help its members and public policymakers grow credit availability and the real economy in a responsible manner. SFA provides an inclusive forum for securitization professionals to collaborate and, as industry leaders, drive necessary changes, advocate for the securitization community, share best practices and innovative ideas, and offers professional development for industry members through conferences and other programs. For more information, visit www.structuredfinance.org.

[2] See November 2018 letter: (https://www.fhfa.gov//SupervisionRegulation/Rules/Pages/Comment-Detail.aspx?CommentId=15278); August 2020 letter: (https://www.fhfa.gov//SupervisionRegulation/Rules/Pages/Comment-Detail.aspx?CommentId=15636); November 2021 letter: (https://www.fhfa.gov//SupervisionRegulation/Rules/Pages/Comment-Detail.aspx?CommentId=15929)

Transfer ("CRT") transactions. The levels of capital relief granted under the 2021 ERCF recognize the transfer of risk away from the GSEs to private investors, thereby incentivizing the GSEs to engage in these transactions that disperse risk throughout the capital markets ecosystem. Second, the Targeted Increases to Enterprise Pricing Framework[3] announced on January 5, 2022 implicitly recognizes the fact that private funding is best suited to finance certain types of properties (namely second homes and investment properties). Moreover, the targeted increases will strengthen the Enterprises' safety and soundness and focuses the GSEs on their core mission of providing access to credit for first-time home buyers and low- and moderate-income borrowers.

Both of these actions recognize the importance of taking steps to incentivize private investment, and we encourage FHFA to continue to examine policies and regulations that reduce risk to taxpayers at all levels of our housing finance system. At the same time, we do not intend to convey that these (or other) programs must remain as-is in their current state in perpetuity. We recognize that programmatic adjustments may need to be made based on underlying market conditions and the macroeconomic environment, and that future developments will necessitate change. We simply want to emphasize that as those changes arise, FHFA should enable private capital to fulfill its role so that the GSEs can better fulfill their mandate.

SFA looks forward to continuing our engagement with FHFA on these important questions, and again offers our appreciation for the ability to comment on the Strategic Plan.

Best,

Michael Bright
CEO, Structured Finance Association

[3] https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Targeted-Increases-to-Enterprise-Pricing-Framework.aspx