Statement of Secretary Steven T. Mnuchin Department of the Treasury Before the Committee on Financial Services United States House of Representatives October 22, 2019

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Treasury's Plan to Support Affordable Housing

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am pleased to be with you today to discuss the Department of the Treasury's Housing Reform Plan.

Last month, my colleagues and I testified before the Senate Banking Committee after the release of the Plan. The comments and legislative frameworks we have seen from members of both parties reflect bipartisan agreement on the need for legislative action, and on general principles for reform. I am hopeful that with some good-faith discussions, Congress and the Administration will act in a comprehensive manner to support affordable housing, appropriately tailor the Federal government's influence over the housing finance sector, protect taxpayers from future bailouts, and foster competition that will benefit consumers.

This is why I was surprised and disappointed by the title of this hearing, which asks whether the Administration plans "an end to affordable housing." To be clear, Treasury does not propose, and indeed opposes, reducing or eliminating the government-sponsored enterprises' (GSEs) longstanding support for affordable housing. I am grateful for the opportunity to clarify Treasury's recommendations here today and to explain how our plan will preserve support for affordable housing, while also improving the efficiency, transparency, and accountability of the mechanisms for delivering that support.

Treasury's plan advocates for continued government backing for, and widespread availability of, the 30-year fixed-rate mortgage loan, and the GSEs or their successors should continue helping to fund multifamily housing for low- and moderate-income and other renters. In addition to this general support for affordable housing, the GSEs have at least four key statutory mandates to promote access to affordable mortgage credit for historically underserved borrowers and renters:

1. A "duty to serve" focused on three specific underserved markets—manufactured housing, affordable housing preservation, and rural markets.[1]
2. A requirement to make certain periodic contributions to the Housing Trust Fund and the Capital Magnet Fund.[2]
3. Charter authority to promote access to mortgage credit throughout the United States (including central cities, rural areas, and underserved areas).[3]
4. A requirement to purchase FHFA-specified amounts of certain single-family and multifamily mortgage loans that support housing for specified underserved borrowers and renters.[4]

Treasury's Plan does not include specific recommendations to alter the duty to serve the specified underserved markets or the affordable housing contributions. Treasury seeks to preserve the national service requirement, but with some added protections. With respect to the fourth mandate—the affordable housing goals—Treasury recommends material changes that would establish a more efficient, transparent, and accountable mechanism for delivering tailored support to underserved borrowers.

Further, the Plan recommends that FHFA continue to coordinate with the Federal Housing Administration (FHA) and Ginnie Mae, who have primary responsibility for providing housing finance support to low- and moderate-income families that cannot be fulfilled through traditional underwriting, to ensure an efficient and appropriate Federal role in affordable housing.
To be clear, Treasury is not recommending a reduction in support for underserved borrowers. On the contrary, Treasury is recommending a more effective means of delivering that support. I look forward to our conversation here today, one that I hope will continue after this hearing. We welcome your thoughts and suggestions to address the challenges facing underserved borrowers and renters nationwide.

Finally, I must emphasize, and our recommendations make clear, that the Administration's preference is to work with Congress to enact comprehensive housing finance reform legislation. Legislation could achieve lasting structural reform that tailors explicit Government support of the secondary market and eliminates the GSEs' competitive advantages over private-sector entities. At the same time, we believe that reform can and should proceed administratively, and pending legislation, Treasury will continue to support FHFA's administrative actions to enhance the regulation of the GSEs, promote private-sector competition, and satisfy the preconditions set forth in the plan for ending the GSEs' conservatorships.

Under the leadership of President Trump, I am proud of all of the work we have done to create conditions for greater economic growth, more and better opportunities for working families, and higher wages for all Americans. Today I look forward to discussing with you the critical issue of housing finance reform. I hope that members of the Committee from both parties will work with us on passing legislation. Thank you very much, and I would be pleased to answer your questions.

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1. Each GSE is required to “provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary market for mortgages for very low-, low-, and moderate-income families” in these three specified markets. The Federal Housing Finance Agency’s (FHFA) rule implementing this “duty to serve” requires each GSE to develop an underserved markets plan that describes the specific activities and objectives it will undertake to serve each of the three specified markets. 12 U.S.C. § 4565; 12 C.F.R. §§ 1282.31-1282.41.
2. Each GSE must set aside 4.2 basis points of the unpaid principal balance of new business purchases to be allocated to the Housing Trust Fund and Capital Magnet Fund. 12 U.S.C. § 4567(a).
3. 12 U.S.C. §§ 1451 note, 1716.
4. FHFA is authorized to set quantitative goals for the GSEs’ acquisitions of single-family mortgage loans to low- and very low-income borrowers and borrowers who reside in low-income areas, and also quantitative goals for the GSEs’ acquisitions of multifamily mortgage loans that finance units affordable to low-income renters. 12 U.S.C. §§ 4562-63. The single-family goals are generally set as a share of the GSEs’ acquisitions. Related to this, the purposes of each GSE include to provide ongoing assistance to the secondary market for residential mortgages, “including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities.” Id. §§ 1451 note, 1716.