Center for American Progress

The $5 Trillion Question: What Should We Do with Fannie Mae and Freddie Mac?

Comparison of 26 Plans to Reform Fannie Mae and Freddie Mac

John Griffith and the CAP Housing Team | July 2013

Plan	CAP Mortgage Finance Working Group	Corker-Warner (S.1217)	Urban / Moody's Analytics / Milken
Official title	A Responsible Market for Housing Finance	Housing Finance Reform and Taxpayer Protection Act of 2013	A Pragmatic Plan for Housing Finance Reform
Summary	Privately funded, government-chartered entities guarantee timely payment of principal and interest on qualifying mortgage-backed securities, or MBSs. These guarantees are then reinsured by an explicit government guarantee, with a catastrophic risk insurance fund standing before the taxpayer.	Wind down Fannie and Freddie over 5 years. Privately funded, government-approved entities guarantee timely payment of principal and interest on qualifying mortgage-backed securities. Creates a new government corporation (FMIC) to regulate the MBS market and provide catastrophic guarantee (for a fee) on MBS that meet product standards, including 5% down payment. Private capital must have 10% first loss position.	Gradually wind down Fannie and Freddie. Privately funded, government-approved entities (MBS insurers) insure timely payment of principal and interest on qualifying mortgage-backed securities. Creates a new government-owned corporation (FMIC) that offers a limited and priced government guarantee on qualifying MBS, with private insurance from an MBS insurer and a Mortgage Insurance Fund standing before the taxpayer.
Who issues qualifying mortgage-backed securities?	Private entities.	Government-approved private entities for single family, FMIC for multifamily. Limit on issuer share of FMIC-guaranteed market.	Private entities (may include loan originators).
Who insures qualifying mortgage-backed securities?	Privately funded, government-chartered entities.	Government-approved private entities for single-family, FMIC for multifamily (private capital takes 10% first loss)	Government-approved and regulated private entities (5-10 total). Cannot be affiliated with depositories, unless a small-firm coop approved by the FMIC.
Nature of the government guarantee	Explicit guarantee on qualifying mortgage-backed securities, which pays out when the covered entity fails. Neither the debt nor equity of the entity is backed by the government during normal economic times, but government-backed debt may be issued during deep economic downturns.	Private entities can purchase an explicit government guarantee against catastrophic risk on qualifying MBS (loans must meet "Qualified Mortgage" rule and have 5 percent down payment). Regulators can alter the restrictions on the guarantee in times of crisis.	Private entities can purchase a limited, explicit catastrophic government guarantee on qualifying MBS, with a requirement that private insurance capital take the first loss position. Only the securities are eligible for the guarantee. Treasury and Fed can grant authority to adjust requirements during crises.
Portfolio investments by covered entity	Generally permitted, as long as the investments are safe and serve some functional purpose (i.e., hard-to-securitize loans).	Issuers can hold loans or first loss position on balance sheets for 6 months to facilitate securitization.	Private MBS insurers cannot maintain an investment portfolio, except for a small portfolio for warehousing and loan modifications.
Affordable housing provisions	Requirement to serve qualified borrowers throughout the United States, including underserved areas. Private firms pay into a special fund that helps test new products that expand access and affordability (the Mortgage Access Fund).	Sets aside 5-10 basis points on all FMIC-backed MBS to fund the Housing Trust Fund and Capital Magnet Fund. Alters the HTF to fund research and testing of products that promote access and affordability.	Eliminates the affordable housing goals. Establishes a Market Access Fund, funded with a fee of 6 basis points on all MBS (a strip), to fund the Housing Trust Fund, the Capital Magnet Fund, and grants and credit support to test new products that expand access and affordability.
Multifamily provisions	Government guarantee applies to certain multifamily loans. Covered entities must show they are providing rental housing for working households and offering at least 50 percent of rental units with a securitized loan at 80 percent of area median income.	Transfers existing multifamily business to the FMIC. Authorizes FMIC to guarantee any multifamily mortgage it purchases for a fee, backed by the U.S. government.	No specific recommendations.
Oversight	Federal regulator puts covered entities through yearly planning, reporting, and performance evaluation processes.	FMIC approves all loan originators, servicers, issuers and guarantors of MBS eligible for the government wrap. FMIC also maintains a single securitization platform for FMIC-backed MBS, including common pooling and servicing agreements and data standards. The Mortgage Insurance Fund must build up to a minimum capital reserve of 2.5%.	FHFA is wrapped into the new FMIC, which manages a single securitization platform for all FMIC-guaranteed MBS and regulates the entire secondary mortgage market in coordination with other agencies. The Mortgage Insurance Fund must maintain a capital reserve sufficient to withstand a severe housing and economic crisis. Regular stress testing required.
Transition	No specific recommendations.	Wind down Fannie and Freddie over a 5-year period, starting with an immediate decrease in conforming loan limits. Transfer all single-family assets to a Trust Fund to be sold off in a way that maximizes return to taxpayers, minimizes market disruptions and returns money to equity investors when possible. Within 8 years, study the impact of full market privatization.	Finalize rules governing the primary and secondary mortgage markets. Speed up wind-down of Fannie's and Freddie's portfolio. Establish FMIC and set capital, pricing, and other rules for the market. Gradually sell off Fannie and Freddie assets and reduce government's role as private capital returns, with a target of around 50% of the market backed by FMIC.

Plan	Hensarling (7/11/13 Discussion Draft)	Beekman Advisors (6/24/13 Discussion Draft)	Campbell-Peters (H.R. 1859)
Official title	Protecting American Taxpayers and Homeowners Act of 2013	Multifamily Finance Reform: Moving to a Solution in 2013	Housing Finance Reform Act of 2011
Summary	Eliminates Fannie and Freddie by subjecting them to receivership, eventually creating a fully private market (outside of FHA and other existing programs). Restricts FHA lending to low- and moderate-income borrowers and first-time homebuyers. Establishes non-profit National Mortgage Market Utility, which develops best practices and standard agreements for private market, operates securitization outlet, and creates standard measures of security risk. Creates regulatory structure for covered bonds. Slows down implementation and repeals parts of Basel III and Dodd-Frank.	Focuses only on the multifamily business, in coordination with Corker-Warner or a similar plan. Creates "TransitionCo" as a new joint venture of Fannie and Freddie to spin off their multifamily securitization businesses. These and other private entities can then purchase a guarantee against catastrophic risk on qualifying multifamily MBS from a newly-created government-owned corporation.	Private entities purchase and securitize certain mortgage products, then guarantee timely payment of principal and interest on those securities. That guarantee is backed by the explicit guarantee of the Federal Housing Finance Agency, or FHFA, with a reserve fund standing before the taxpayer.
Who issues qualifying mortgage-backed securities?	Private entities	New Fannie/Freddie joint venture (TransitionCo) and other private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	Private entities	The U.S. government.	Private entities.
Nature of the government guarantee	No government guarantee on conventional mortgages	Private firms can purchase an explicit government guarantee against catastrophic risk on qualifying multifamily mortgage-backed securities. The structure of the government wrap is flexible to allow for multiple risk-sharing executions and adapt to varying market conditions.	Explicit guarantee on qualifying mortgage-backed securities, which pays out when the covered entity fails. Unclear whether the debt or equity of the institution can ever be backed by the government.
Portfolio investments by covered entity	N/A (no government guarantee beyond FHA and VA)	No specific recommendations.	Only permitted to purchase conventional or government-backed mortgage-backed securities, or any other securities deemed appropriate by the Federal Housing Finance Agency.
Affordable housing provisions	Eliminates affordable housing goals and the National Housing Trust Fund	Provides a range of possible affordability requirements, such as encouraging small rental housing or requiring that the majority of units financed in a given year are affordable to families at or below area median income.	No specific recommendations.
Multifamily provisions	FHA multifamily operations limited to housing for low- and moderate-income families.	Spins off Fannie's and Freddie's multifamily business with the option to purchase an explicit government guarantee against catastrophic risk.	Investment portfolio may be used to purchase multifamily loans (unclear whether only government-backed multifamily loans).
Oversight	Director of the Federal Housing Finance Agency oversees the Utility. Treasury approves covered bond programs, which are regulated by federal banking agencies. No specific recommendations on oversight of issuers of mortgage-backed securities.	New government-owned corporation regulates the secondary mortgage market for capital adequacy and other factors, sets standards for issuing government-backed securities, and prices the government guarantee.	Comptroller general determines the market value of the catastrophic guarantee. The Federal Housing Finance Agency establishes a pricing structure for guarantee fees that provides for reasonable rate of return.
Transition	Places 5-year time limit on Fannie and Freddie conservatorship, then subjects the enterprises to receivership, which strips them of government charter and liquidates them. Single securitization platform transferred to the Utility. FHA becomes separate agency outside of HUD, and it is required to coordinate with the Rural Housing Service.	Starting in January 2014, capitalize TransitionCo at $1 billion from Fannie and Freddie. Capital injection should be interest-bearing (with an equity kicker) and with a sunset on return of capital. TransitionCo should be a bankruptcy–remote corp. to limit government risk. Then allow other privately-capitalized, mono-line firms to purchase the catastrophic wrap.	Places Fannie Mae and Freddie Mac into receivership within one year and reduces total mortgage assets to less than $250 billion within five years.

Plan	Miller-McCarthy (H.R. 2413)	Isakson (S. 1963)	Corker (S.1834)
Official title	Secondary Market Facility for Residential Mortgages Act of 2011	Mortgage Finance Act of 2011	Residential Mortgage Market Privatization and Standardization Act
Summary	A wholly owned government corporation purchases and securitizes certain mortgage products originated by approved sellers and guarantees timely payment of principal and interest on those securities. The government stands behind all obligations of the entity, with a reinsurance fund standing before the taxpayer.	A temporary government agency guarantees timely payment of principal and interest on qualifying mortgage-backed securities, with a catastrophic risk insurance fund standing before the taxpayer. The agency is terminated after 10 years and replaced with a fully private market.	Wind down Fannie and Freddie over a 10-year period without an ongoing government guarantee on mortgage debt. Establish a new, purely private futures market for mortgage-backed securities (which eventually replaces the TBA market) based on minimum standards for underwriting, pooling and servicing agreements, and transparency.
Who issues qualifying mortgage-backed securities?	The U.S. government.	Private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	The U.S. government.	The U.S. government (temporarily).	Private entities.
Nature of the government guarantee	The government stands behind all obligations of the government corporation.	The government stands behind all qualifying mortgage-backed securities for 10 years. No government guarantee after that period.	No government guarantee.
Portfolio investments by covered entity	Permitted to support multifamily housing and other mortgages that are not readily securitized, to provide countercyclical liquidity, and for loan modifications. Portfolio usually capped at $250 billion (adjusted for inflation).	Not permitted.	N/A (no covered entity)
Affordable housing provisions	Requirement to serve qualified borrowers throughout the United States, including underserved areas.	No specific recommendations.	No specific recommendations.
Multifamily provisions	Investment portfolio may be used to purchase multifamily loans.	New agency defines what types of multifamily loans qualify for the government guarantee.	New futures market covers single-family and multifamily mortgages.
Oversight	FHFA Board approves any product offered by the government corporation. The Federal Housing Finance Agency can set a minimum guarantee fee.	New agency oversees the origination, servicing, and securitization process for qualified securities. Board of directors oversees the new agency's business.	Federal banking agencies establish minimum standards for underwriting and develop uniform regulatory practices for the mortgage market. Establish a new industry-financed database to streamline mortgage securitization.
Transition	Treasury develops a wind-down plan, including a reduction in mandatory dividend payments.	Advisory board helps the new agency liquidate Fannie and Freddie. The agency is terminated after 10 years.	Fannie and Freddie are gradually sold off to investors by at least 10 percent each year over 10 years. Guarantees business drawn down parallel to portfolio size.

Plan	Hensarling (H.R.1182)	National Association of Home Builders	Mortgage Bankers Association
Official title	GSE Bailout Elimination and Taxpayer Protection Act	A Comprehensive Framework for Mortgage Finance System Reform	MBA's Recommendations for the Future Government Role in the Core Secondary Mortgage Market
Summary	Wind down Fannie and Freddie completely over a 15-year period and establish a purely private market for housing finance, with no government guarantee beyond FHA and other existing affordable housing programs.	Private entities purchase and securitize certain mortgage products. Originators pay into an MBS insurance fund, which is managed and guaranteed by the federal government.	Privately funded, government-chartered entities purchase and securitize certain mortgage products, and guarantee timely payment of principal and interest on those securities, with risk retention from originators, issuers, and other secondary market entities. That guarantee is backed by an explicit government guarantee with a federal insurance fund standing before the taxpayer.
Who issues qualifying mortgage-backed securities?	Private entities.	Private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	Private entities.	The U.S. government.	Privately funded, government-chartered entities.
Nature of the government guarantee	No government guarantee.	Explicit guarantee on principal and interest on qualifying mortgage-backed securities, which pays out only in catastrophic situations where private capital and insurance reserves are "depleted."	Explicit security-level guarantee on qualifying mortgage-backed securities, called upon only in situations of "extreme market distress."
Portfolio investments by covered entity	N/A (no covered entity)	No specific recommendations.	Generally not permitted, but can have a small portfolio for mortgages that are purchased but not yet securitized. Portfolio investments can also fund multifamily mortgages that are not easily securitized.
Affordable housing provisions	Repeal the affordable housing goals and the housing trust fund.	No specific recommendations.	Government guarantee cannot be used for additional public or social housing policy goals. Policymakers should consider using any surpluses from the federal insurance fund to support affordable housing.
Multifamily provisions	No specific recommendations.	Existing Fannie and Freddie multifamily platforms transferred to the new framework.	No specific recommendations. (Issue still under review.)
Oversight	No specific recommendations.	A strong independent regulatory agency, governed by a board, oversees the covered MBS market and manages the insurance fund. An "investor-oriented" rating agency made up of large fixed-income investors develops criteria for private mortgage-backed securities.	Federal regulator oversees the covered entities' products, pricing and capital adequacy. Industry participants, covered entities, the government reinsurance entity (could be Ginnie Mae), and federal regulators define the products covered by new guarantees.
Transition	Appoint the Federal Housing Finance Agency as receiver of Fannie and Freddie (if deemed financially viable) and establish a holding corporation and dissolution trust fund to divide assets and liabilities. Over the first 15 years, scale back the guarantee business by increasing fees, decreasing loan limits, and restricting the type of mortgages the firms can purchase. The Federal Housing Finance Agency and the Treasury Department are then given a 10-year window to wind down Fannie and Freddie completely.	No specific recommendations.	Fannie and Freddie are used as the foundation for new private entities, starting with one or two with the option to build up more over time. Consider using a good bank/bad bank strategy to resolve their assets and liabilities.

Plan	Marron-Swagel	Federal Reserve Bank of New York	Hancock-Passmore (Federal Reserve Board)
Official title	Whither Fannie and Freddie? A Proposal for Reforming the Housing GSEs	A Private Lender Cooperative Model for Residential Mortgage Finance	An Analysis of Government Guarantees and the Functioning of Asset-Backed Securities Markets
Summary	Private companies, starting with restructured Fannie and Freddie, buy qualifying mortgages and bundle them into securities. The federal government guarantees payments of principal and interest on those securities, paid for by a fee charged to MBS issuers. Over time, other private firms such as bank subsidiaries are allowed to compete by securitizing conforming loans and purchasing the government guarantee.	A government-chartered utility, mutually owned by financial institutions engaged in mortgage lending, buys and securitizes qualifying mortgages. The utility uses a mutualized loss pool, accumulated through MBS guarantee fees in addition to paid-in capital, to absorb credit losses, backed by an explicit, priced government reinsurance guarantee against catastrophic loss.	A government bond insurer, organized as an independent federal agency along the lines of the Federal Deposit Insurance Corporation, guarantees timely payment of principal and interest on qualifying mortgage-backed securities, with a catastrophic insurance fund before the taxpayer. The agency has a line of credit with the Treasury accessible only when faced with catastrophic losses.
Who issues qualifying mortgage-backed securities?	Private entities.	Private entities, as part of a government-chartered cooperative.	Private entities or the U.S. government.
Who insures qualifying mortgage-backed securities?	The U.S. government.	Private entities, as part of the cooperative's mutualized loss pool. The utility may also sell off a small amount of credit risk to the market.	The U.S. government.
Nature of the government guarantee	Explicit guarantee on qualifying mortgage-backed securities, which pays out only after a firm's shareholders are wiped out. The entities themselves are not guaranteed.	Explicit guarantee on pools of mortgage-backed securities, which pays out when the cooperative's mutual loss pool has eroded below a minimum threshold.	Explicitly-priced guarantee on qualifying mortgage-backed securities covered by risk-based premiums, with a line of credit to cover catastrophic losses.
Portfolio investments by covered entity	Generally not permitted until there is adequate private competition, but can have a small portfolio for mortgages that are purchased but not yet securitized.	Not permitted.	Not permitted.
Affordable housing provisions	End all affordable housing subsidies through Fannie and Freddie. Congress pursues these goals directly through traditional spending or tax policies.	The utility does not have explicit affordable housing goals. The Federal Housing Administration takes the lead on this.	No specific recommendations.
Multifamily provisions	No specific recommendations.	Consider separating the support mechanisms for single- and multifamily lending, given the basic differences between the two markets.	No specific recommendations.
Oversight	A federal regulator ensures the quality of the conforming loans and that entities maintain sufficient capital.	The Federal Housing Finance Agency or another regulator oversees the cooperative's products and business, fee pricing (including veto power), risk management systems, and manages the tail risk insurance fund. Key decision-making authority on day-to-day management delegated to a board of directors made up primarily of cooperative members, with restrictions on the power of largest members. Members also monitor one another's participation in the utility.	The new agency oversees all types of securitizations and asset-backed bond issuance, possibly including a new covered bond market. The government guarantee is limited to well-defined loan types with low loan-to-value ratios, controlled through borrower down payments, private forms of insurance, and other credit enhancements.
Transition	Start by converting Fannie and Freddie to private entities, with the government selling off its ownership stakes. The existing investment portfolios are wound down or sold to other investors. Set strict limits on their activities for 5–10 years while competition develops in the securitization industry.	Each member provides equity capital to the cooperative to build initial ownership shares and a mutualized loss pool. Over time the loss pool accumulates through guarantee fees.	No specific recommendations.

Plan	Millstein	Credit Suisse	Dynan-Gayer (Brookings)
Official title	Housing Finance Reform – Restructuring the Government's Role	Mortgage Market Comment: GSEs – Still the best answer for housing finance	The Government's Role in the Housing Finance System: Where Do We Go from Here?
Summary	An independent government corporation (similar to the Federal Deposit Insurance Corporation) supervises the securitization of qualifying mortgages (issued and guaranteed by private firms) and reinsures qualifying mortgage-backed securities, with a privately funded reserve fund standing before the taxpayer.	Split Fannie and Freddie into a "good bank" of well-capitalized, privately-held mortgage guarantees, and a "bad bank" of problem loans and securities. The "good bank" becomes a privately funded mortgage guarantor that provides a security-level guarantee on certain mortgage-backed securities. The federal government provides reinsurance wrap with a fee-based insurance fund standing before taxpayers.	Private financial institutions issue mortgage-backed securities, with the choice of purchasing a government guarantee on qualifying mortgage-backed securities backed by "plain vanilla" mortgage loans. The government guarantor collects fee and builds an insurance fund that stands before the taxpayer.
Who issues qualifying mortgage-backed securities?	Private entities.	Private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	Private entities.	Private entities.	The U.S. government.
Nature of the government guarantee	Explicit, priced government guarantee on qualifying mortgage-backed securities, with private MBS issuers and insurers as the first in line to cover losses.	Explicit government guarantee on qualifying mortgage-backed securities, which pays out in a catastrophic loss scenario.	Issuers have the choice to purchase an explicit government guarantee on timely payments of principal and interest for qualifying mortgage-backed securities.
Portfolio investments by covered entity	Limited portfolios permitted for liquidity and transactional purposes.	Permitted with a graduated capital standard, but scaled back significantly (by $500 billion to $800 billion).	Private firms are allowed to retain investment portfolios with some limits in size or composition.
Affordable housing provisions	Remove the affordable housing goals, but consider maintaining some affordability initiatives in the restructured system.	Remove the affordable housing mandate, with the exception of multifamily housing, leaving nearly all affordable housing loans under the purview of the Federal Housing Administration.	Transfers the affordable housing goals to other parts of the government.
Multifamily provisions	N/A	Multifamily housing goals carry over to the new mortgage guarantor.	Unclear whether the government guarantee applies to "plain vanilla" multifamily loans as well.
Oversight	The government corporation supervises the securitization process for safety, soundness, and capital adequacy. Once privatized, the guarantee business should be subject to enhanced supervision by the Federal Reserve.	The Federal Housing Finance Agency, in conjunction with Congress, defines the credit and operational box for the new mortgage guarantor. Guarantor business restricted to basic mortgage products with well-understood risk characteristics.	No specific recommendations, but the government guarantee limited to high-quality mortgages that meet certain down-payment, credit score, and income documentation requirements.
Transition	Immediately increase fees to increase reserves, build capital, and crowd-in private investment. Wind down retained portfolios to refocus on core guarantee business. Eliminate dividend on the outstanding Treasury Preferred Stock. Contribute Fannie and Freddie infrastructure to a new utility for issuing conforming mortgage-backed securities. Build reserves at the government corporation, re-charter the guarantee business at Fannie and Freddie, and recover taxpayer investments.	At first Fannie and Freddie run the guarantor entity, with the potential for private competitors in the future. The government may need to provide seed money to overcome the potential difficulties in raising private capital for Fannie and Freddie, possibly by drawing new preferred stock from Treasury.	No specific recommendations, but define new rules and regulations for the private mortgage market as soon as possible.

Plan	Zandi-DeRitis (Moody's)	Financial Services Roundtable	NYU Stern
Official title	The Future of the Mortgage Finance System	Moving Beyond Fannie Mae and Freddie Mac	A Blueprint for Mortgage Finance Reform
Summary	Privately capitalized, federally chartered entities purchase qualifying mortgages, package them into securities, and guarantee payment of principal and interest on those securities. The federal government provides reinsurance on the mortgage-backed securities with a reserve fund before the taxpayer, and runs a single mortgage securitization facility to standardize the process.	Privately funded, government-chartered entities guarantee timely payment of principal and interest on qualifying mortgage-backed securities. These guarantees are then reinsured by an explicit government guarantee, with a privately funded reserve standing before the taxpayer.	Move toward a privatized housing finance market by steadily phasing out the government guarantee. Start by establishing a temporary public-private partnership in which private sector sets the price for mortgage guarantees but guarantees only a fraction (say 25 percent) while the government insures the remainder, with an insurance fund standing before the taxpayer.
Who issues qualifying mortgage-backed securities?	Privately funded, government-chartered entities.	Private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	Privately funded, government-chartered entities.	Privately funded, government-chartered entities.	Private entities.
Nature of the government guarantee	Explicit guarantee on qualifying mortgage- backed securities, which only pays out after the covered entity suffers major losses.	Explicit guarantee on qualifying mortgage-backed securities, which pays out only after private shareholders are wiped out and the reinsurance reserve is exhausted. The guarantee does not apply to the covered entities themselves, nor their debt.	Explicit government guarantee on 75 percent of the credit risk for qualifying mortgage-backed securities, acting as a silent partner with the MBS issuer (in the interim).
Portfolio investments by covered entity	Generally not permitted, but can have a small port- folio for warehousing loans before securitization, purchasing loans from smaller banks, developing new products, supporting certain loans for which there are limited markets, and loss mitigation.	Small portfolios permitted to facilitate the development of new products, but cannot be used for speculative purposes.	Not permitted in the interim (no government guarantee in the long run).
Affordable housing provisions	Covered entities are not subject to affordable housing goals—the Federal Housing Adminis- tration serves this purpose. Policymakers may establish an explicit fee on insurance institutions to fund these goals.	Covered entities do not have explicit affordable housing goals. The Federal Housing Administration takes the lead on this.	All efforts to assure housing affordability for low- and moderate-income households made explicit, on budget, and primarily the domain of the Federal Housing Administration.
Multifamily provisions	The covered entity's portfolio may be used to purchase multifamily loans.	Government guarantee applies to certain multifamily loans.	No specific recommendations.
Oversight	A federal regulator (likely the Federal Hous- ing Finance Agency) charters covered entities, establishes capital and liquidity requirements, determines underwriting standards and loan limits for qualifying mortgages, oversees the entities business practices, and manages the fed- eral insurance fund. A government securitization facility (could be within Ginnie Mae) processes payments to investors and standardizes the entire securitization process.	The appropriate federal agency charters and regulates covered entities, including capital and liquidity standards and standards for the quality of qualifying mortgages. Private investors determine the most appropriate organizational structure for each entity.	Government insures that the private sector is well capitalized. Regulators can dismantle companies that pose a threat to the financial system.
Transition	Steadily reduce Fannie's and Freddie's portfolios until each portfolio is no greater than $250 billion. Lower the conforming and FHA loan limits. Transfer credit enhancement functions to the new regulator, securitization functions to the new facility, and affordable housing goals to the FHA.	No specific recommendations.	Congress mandates a phased-in end to the government guarantee over the course of 10 years, either by reducing loan limits or increasing fees. Create a Resolution Trust Corporation to wind down Fannie and Freddie portfolios, with about 60 percent sold off within the first three years and the rest wound down gradually over the following seven years.

Plan	Scharfstein-Sunderam (Harvard)	American Enterprise Institute	Pozen
Official title	The Economics of Housing Finance Reform	Taking the Government Out of Housing Finance: Principles for Reforming the Housing Finance Market	Toward a Three-Tiered Market for U.S. Home Mortgages
Summary	A carefully regulated private market is the main supplier of mortgage credit, with a new government-owned corporation acting as "guarantor of last resort." In times of economic crisis, the government corporation issues and guarantees newly issued mortgage-backed securities, with strict caps on market activity during normal economic times (likely a 5 percent to 10 percent market share).	Eliminate Fannie and Freddie and privatize their assets gradually. The federal government assumes a purely regulatory role in housing finance (outside of the Federal Housing Administration and other subsidy programs), with a focus on ensuring that a high preponderance of loans are prime, specifying when mortgage insurance must be purchased, and mandating that insurance companies have catastrophic contingency reserves.	Gradually phase out Fannie and Freddie and replace it with a well-regulated private MBS market for conventional mortgages. New risk retention rules (namely the Qualified Residential Mortgage rule) will create a three-tiered market: Government-backed mortgage-backed securities comprised of FHA and VA loans; low-risk private mortgage-backed securities comprised of loans exempt from risk retention; and all other private mortgage-backed securities subject to risk retention.
Who issues qualifying mortgage-backed securities?	Private entities (except for times of economic crisis).	Private entities.	Private entities.
Who insures qualifying mortgage-backed securities?	Private entities (except for times of economic crisis).	Private entities.	Private entities.
Nature of the government guarantee	Government corporation issues and guarantees new mortgage-backed securities only when balance sheets of private issuers and guarantors are significantly constrained, with no private capital in the first loss position.	No government guarantee on conventional mortgages.	No government guarantee on conventional mortgages (beyond FHA and VA).
Portfolio investments by covered entity	Not permitted.	N/A (no government guarantee).	N/A (no government guarantee).
Affordable housing provisions	Remove the affordable housing goals. All efforts to expand affordable housing credit done through the Federal Housing Administration.	All programs to assist low-income homeowners put on budget. Lower the upper limit of FHA loans and mandates a stricter FHA underwriting standard.	All programs to assist low-income homeowners put on budget. Raise the down-payment requirement for FHA and VA programs and establish an income limit for program eligibility. Program eligibility is based on a specified percentage above the median family income for the metropolitan area.
Multifamily provisions	No government guarantee on multifamily loans.	No government guarantee on conventional multifamily loans.	No government guarantee on conventional multifamily loans (beyond FHA and VA).
Oversight	Government corporation works alongside strict regulation of mortgage underwriting and private-sector securitization. Set a preset limit on the government's market share that can only be waved with determination of systemic risk by the Financial Stability Oversight Board.	Government restricts securitization to prime mortgages and mandates mortgage insurance for certain mortgages. Regulation serves to counteract the pressures the private sector feels to originate nonprime mortgages.	Strong regulation of the private market, including capital requirements that reflect actual risks, more disclosure on loan pools, simpler MBS deal structures, and rules to limit "ratings shopping" among MBS issuers. Establish risk-retention exemptions that increase mortgage standardization and promote long-term, fixed-rate mortgages.
Transition	Gradually increase fees at Fannie and Freddie and wind down their investment portfolios. Eventually transfer the Fannie and Freddie's information systems and personnel to the new government corporation.	Phase out Fannie and Freddie through annual 20 percent reductions in conforming loan limits, raised capital requirements, and prohibitions from adding to their portfolios. Convert the conservatorship to a receivership and wipe out all equity below the Treasury's holdings. Divide Fannie and Freddie into good bank/bad bank structures and auction off all systems and other company resources.	Gradually phase out Fannie and Freddie by decreasing loan limits. Sunset Fannie and Freddie's exemption from risk-retention rules after a reasonable number of years.

Plan	Self-Help	Bipartisan Housing Commission
Official title	Housing Finance Reform Outline	Housing America's Future: New Directions for National Policy
Summary	A single entity, owned broadly by banks and credit unions of all sizes, purchases and securitizes loans made by private originators and guarantees timely payment of principal and interest on those securities. The government reinsures that guarantee, with a privately funded reserve standing before the taxpayer.	A "Public Guarantor" -- an independent, wholly owned government corporation – guarantees securities, similar to Ginnie Mae. Predominant credit risk is borne by private capital. Issuers decide how to cover risk through private credit enhancers. The Guarantor approves private credit enhancers, establishes minimum capital levels, sets standards for eligible mortgages, determines the guaranty fee, and manages two "catastrophic risk" funds (separate funds for single family and rental).
Who issues qualifying mortgage-backed securities?	A single private entity, owned by a cooperative of financial institutions.	Private entities (approved issuers).
Who insures qualifying mortgage-backed securities?	A single private entity, owned by a cooperative of financial institutions.	Issuers, through retention of approved and regulated private credit enhancers.
Nature of the government guarantee	Explicit, priced government guarantee on qualifying mortgage-backed securities, as well as a limited amount of entity debt approved by the regulator to ensure portfolio capacity.	Explicit guaranty on qualifying mortgage-backed securities only (not on institutions or portfolios), which pays out only after other risk-taking entities have exhausted resources.
Portfolio investments by covered entity	Limited portfolio permitted for modified mortgages, hard-to-securitize loans, and small multifamily projects. The entity cannot hold loans or securities for arbitrage purposes.	No retained portfolio.
Affordable housing provisions	No specific recommendations, but the single-entity structure facilitates financing for sustainable loans to all qualified home buyers and owners, without discrimination.	Requires government-guaranteed secondary market to support liquidity for safe and sustainable mortgages to low- and moderate-income households. Discrimination prohibited. Public Guarantor reports annually on underserved markets; no housing goals or quotas. A portion of revenue generated by the Public Guarantor used to fund the National Housing Trust Fund and the Capital Magnet Fund, as mandated in HERA.
Multifamily provisions	Government guarantee applies to certain multifamily mortgage-backed securities, as well as certain small multifamily loans held in portfolio.	Similar to single-family structure, but supported by a separate fund in a separate division of the Public Guarantor. Eligible multifamily activities restricted to properties primarily serving low- and moderate-income residents (permanent financing only).
Oversight	The entity is governed by member institutions based on a "one lender, one vote" structure. The Federal Housing Finance Agency regulates the entity and ensures adequate capital reserves, appropriate lending and portfolio activity, and mission focus. Lenders selling loans to the entity must invest stock proportionate to the amount sold (say, 1 percent to 2 percent of loan balances), redeemable at par once loans pay off or earlier.	The Public Guarantor—an independent, wholly owned government corporation. Funded through collection of g-fees. The director would be presidentially appointed and Senate confirmed. An Advisory Council would meet quarterly to share information and assess potential risks to the system. Ginnie Mae could be the Public Guarantoor, if spun out as a separate and independent institution and given additional authorities.
Transition	Similar to FDIC practice, the Federal Housing Finance Agency takes over Fannie and Freddie, transfers their assets and liabilities to the new entity, and wipes out their existing shareholders, all in a manner that does not disrupt the fragile housing market. Congress determines the fate of Treasury's preferred stock investments.	Dynamic, phased approach to adjust as transition continues. Unwind F&F over 5-10 year period, but continue to use their platforms. Gradual reductions in loan limits to typical levels, adjusted for area median house price.