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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

September 29, 2021

Ms. Sandra Thompson  
Acting Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, D.C. 20024

Dear Acting Director Thompson:

I write to express concern with respect to two specific aspects of the proposed amendments to the regulatory capital framework for Fannie Mae and Freddie Mac (the “GSEs”).

First, an interagency review of the Federal Housing Finance Agency’s (“FHFA”) proposed capital rule led by the Financial Stability Oversight Council found that capital requirements “that are materially less than those contemplated by [the proposed rule] would likely not adequately mitigate the potential stability risk posed by the [GSEs].”<sup>1</sup> The proposed two-thirds reduction in the leverage buffer could result in a material reduction in regulatory capital, increasing risks to taxpayers and financial stability.

Second, FHFA solicited comment on whether to reduce the minimum credit risk capital requirement on mortgage exposures (*i.e.*, the 20 percent risk weight floor). More than half of the GSEs’ single family mortgage exposures are subject to this minimum requirement.<sup>2</sup> Reducing this floor could materially reduce aggregate capital requirements and also significantly increase the gap between the credit risk capital requirements of the GSEs and other market participants. I urge FHFA not to reduce the 20 percent risk weight floor on mortgage exposures and, if that change is still contemplated, to separately solicit comment on that proposed change with a detailed preamble discussion on the safety and soundness risks, risks to financial stability, and other implications.

Sincerely,



Pat Toomey  
Ranking Member

cc: The Honorable Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs

<sup>1</sup> Financial Stability Oversight Council, “Statement on Activities-based Review of Secondary Mortgage Market Activities” (Sept. 2020) p. 3

<sup>2</sup> FHFA, *Fact Sheet: Final Rule on Enterprise Capital*, p 7.