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## November 2021 – Legislative and Regulatory Update

This month, Fannie Mae and Freddie Mac extended their “First Look Program;” a Federal Reserve official will step down next month; and the Federal Open Market Committee will reduce its monthly asset purchases.

Details about these and other developments are below.

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## Housing Policy

### Fannie Mae and Freddie Mac Extend ‘First Look Program’

As part of their First Look Program, Fannie Mae and Freddie Mac (Fannie and Freddie) will extend from 20 days to 30 days the period during which owner-occupants, public entities and nonprofits will have the exclusive ability to buy Fannie- and Freddie-owned properties before they are available for investor purchase.

Providing individuals, families and nonprofits with a longer amount of time to purchase real estate owned (REO) properties could keep owner occupants living in these homes. Launched in 2009, the First Look Program is designed to promote owner-occupancy and neighborhood stabilization.

### \$10B in Federal Aid to Assist Struggling Homeowners

A \$10 billion Homeowner Assistance Fund (HAF) will soon approve state-level plans to distribute federal funds to distressed homeowners. A component of the American Rescue Plan Act, Congress approved the funding to prevent homeowners from falling behind on their mortgage or losing utility services.

States and eligible territories are tasked with administering the money, subject to U.S. Treasury Department approval.

### Mortgage Loans in Forbearance Drops to 2.15 Percent

Mortgages in forbearance programs fell to a new post-pandemic low, according to the Mortgage Bankers Association (MBA). The latest MBA survey reported loans in forbearance had decreased by 6 basis points to 2.15 percent of servicers’ portfolio volume. MBA estimates 1.1 million homeowners remain in forbearance plans.

The share of Fannie and Freddie loans in forbearance decreased to 0.97 percent. Ginnie Mae loans in forbearance decreased to 2.65 percent. And the forbearance shares for portfolio loans and private-label securities declined to 5.13 percent.

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# Banking and Economic Policy

## FDIC's McWilliams: Clear Rules Needed on Crypto Assets

Federal financial regulators plan to issue a series of policy statements in the coming months addressing cryptocurrencies. In recent remarks, Federal Deposit Insurance Corp. (FDIC) Chairwoman Jelena McWilliams said that regulators would address “how existing rules and policies apply to crypto assets, what types of activities are permissible... and what supervisory expectations we have for banks that do engage in such activities.”

## Report: Stablecoins Should be Issued Only by Insured Depository Institutions

In related news, President Biden's Working Group on Financial Markets—in conjunction with the FDIC and the Office of the Comptroller of the Currency—examined potential risks and regulatory gaps surrounding stablecoins. The group offered recommendations for mitigating these risks.

Stablecoins are typically backed by fiat currencies and carry the expectation that they can be redeemed upon request.

## Federal Reserve's Quarles to Step Down Next Month

Federal Reserve (Fed) Governor Randal Quarles will resign at the end of December, creating a second vacancy on the central bank's seven-member board. Mr. Quarles, a former President Trump appointee who has served at the Fed since October 2017, was the agency's top official overseeing bank regulation until his role as vice chair of supervision expired last month. His departure was expected.

“After more than four years as a member of the Board of Governors of the Federal Reserve System and given the completion last month of my term as vice chairman for supervision of the Board, I intend to resign my position as a governor of the Federal Reserve during or around the last week of December of this year,” he said in a recent letter to President Biden.

## OECD Announces Global Minimum Tax Rate

The Organization for Economic Cooperation and Development (OECD) recently said its member nations agreed to a global minimum corporate tax rate of 15 percent. Set to take effect in 2023, the deal was agreed to by 136 countries and jurisdictions, including the United States, representing more than 90 percent of the global gross domestic product (GDP).

## FOMC Begins to Reduce Pace of Asset Purchases

The Federal Open Market Committee (FOMC) recently said it will begin reducing its monthly asset purchases due to improvements in the economy. The committee said it will reduce the monthly pace of its net asset purchases by \$10 billion for Treasury securities and \$5 billion for mortgage-backed securities.

“Last December, the committee stated its intention to continue asset purchases at a pace of at least \$120 billion per month until substantial further progress has been made toward our maximum employment and price stability goals. At (the FOMC's most recent)

meeting, the committee judged that the economy has met this test and decided to begin reducing the pace of its asset purchases,” said Fed Chairman Jerome Powell.

Mr. Powell said that if the economy evolves broadly as expected, similar reductions in the speed of net asset purchases will likely be appropriate each month.

### Private Payrolls Up in October

Companies added 571,000 jobs in October, beating an industry estimate of 395,000 and just ahead of September’s downwardly revised 523,000. It was the best month for jobs since June.

Leisure and hospitality saw a gain of 185,000 for a sector that remains well below its pre-pandemic

employment level. The sector is seen as a proxy for an economic recovery that stalled over the summer due to a rise in the COVID-19 delta variant and a massive clog in supply lines.

### GDP growth slows to 2 percent in Third Quarter

GDP increased at an annual rate of 2 percent in the third quarter following a 6.7 percent gain in the second quarter, the Commerce Department recently reported. The department said the deceleration was driven by a slowdown in consumer spending, with a resurgence in COVID-19 cases delaying the reopening of establishments in some areas.

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## What Others Are Saying about the FHLBanks

“An important contribution of the (Affordable Housing Program) competitive application program is the number of projects that serve homeless persons and persons with special needs, including the elderly, individuals with disabilities, persons living with HIV-AIDS and persons recovering from substance or physical abuse.”

— Federal Housing Finance Agency

“The (Partnership Grant Program) grant will help tremendously in continuing to develop (Career Gear Greater Houston). There is a demand for community organizations to help families and individuals recover from the effects of the pandemic. With this grant, we will be able to expand our workforce to support these communities.”

— Jamay Schardien, executive director at Career Gear Greater Houston

“This (Partnership Grant Program) grant will provide (Mountain of Hope Ministries) the resources they need to continue their mission, and we are honored to be a part of it.”

— Kelvin Luster, senior vice president and community development director at Home Bank

“The (Affordable Housing Program) allows us to reinvest funds back into underserved communities that need it most. We are honored to partner with FHLB Dallas this year.”

— Timothy Staniel, vice president and CRA officer at Bank of Commerce

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