
April 2021 – Legislative and Regulatory Update

This month, Fannie Mae and Freddie Mac extended a key mortgage forbearance program; the Senate confirmed Gary Gensler to lead the Securities and Exchange Commission; and the Federal Reserve extended a program allowing it to make loans directly to community lenders.

Details about these and other developments are below.

Housing Policy

HUD Won't Lower FHA Mortgage Insurance Premiums

Housing and Urban Development (HUD) Secretary Marcia Fudge recently indicated that the agency won't move to reduce the Federal Housing Administration's (FHA) mortgage insurance premium. Some had speculated that HUD would reduce the premium by 25 basis points or more.

"Given the current FHA delinquency crisis and our duty to manage risks and the overall health of the fund, we have no near-term plans to change FHA's mortgage insurance premium pricing," Ms. Fudge said in a statement that accompanied a report to Congress on the health of the FHA's Mutual Mortgage Insurance Fund (MMIF).

Fannie Mae and Freddie Mac Extend Forbearance for Multifamily Property Owners

Fannie Mae and Freddie Mac (Fannie and Freddie) recently announced they will extend mortgage payment forbearance through June 30, 2021 for multifamily property owners.

One condition of the extension is that multifamily owners will need to notify tenants about protections available during the forbearance period. Another is that owners will need to suspend all evictions for renters unable to pay rent due to the coronavirus pandemic.

Fannie Mae to Purchase Fewer Second Homes, Investment Properties

Fannie Mae recently announced that it will purchase fewer second homes and investment properties.

"Recent amendments to our senior preferred stock purchase agreement with Treasury impose additional risk criteria on the loans we acquire," Fannie Mae said in a letter to lenders. "One of those restrictions is a 7 percent limit on our acquisition of single-family mortgage loans secured by second homes and investment properties."

Banking and Economic Policy

Senate Confirms Gary Gensler to Lead SEC

The Senate recently voted 52-45 to confirm Gary Gensler to serve as chairman of the Securities and Exchange Commission (SEC). Mr. Gensler previously served in the Barack Obama administration as chairman of the Commodity Futures Trading Commission, where he led rulemaking to implement several Dodd-Frank Act reforms.

American Bankers Association President and CEO Rob Nichols responded by saying, “We congratulate Gary Gensler on his confirmation to serve as chair of the Securities and Exchange Commission and look forward to working with him to further our shared goal of protecting investors and promoting capital formation at this important moment for the economy.”

Supreme Court Ruling Protects Financial Firms’ Ability to Contact Customers

The Supreme Court recently confirmed that financial institutions may use telephone technology to communicate important information to individuals with whom they do business. The court issued its opinion in a case challenging the definition of “automatic telephone dialing system,” under the Telephone Consumer Protection Act.

The decision will allow banks and credit unions to make phone calls or send text messages to customers to deliver routine information regarding low-balance alerts, overdrafts and possible fraud.

Federal Reserve Lifts Restrictions on Dividends, Share Repurchases

The Federal Reserve (Fed) recently indicated it will lift temporary restrictions on bank holding companies’ ability to pay dividends and repurchase shares. This easing will apply after

June 30, 2021 for firms that pass their current round of stress tests.

However, firms whose capital levels fall below required levels in the stress tests will remain subject to the restrictions, which the Fed imposed at the outset of the COVID-19 crisis.

Illinois Applies Community Reinvestment Act Standards to Credit Unions, Other Lenders

Illinois recently enacted state-level Community Reinvestment Act (CRA) standards to credit unions and non-bank mortgage lenders, standards which do not apply to these institutions under federal law. The new law will impose duty-to-serve and other requirements on all lenders.

The law makes Illinois the fourth state—after Connecticut, Massachusetts and New York—to apply state-level CRA standards to credit unions and certain non-banks.

House Lawmakers Reintroduce Bill Aimed at Agricultural Real Estate Loans

Representatives Ron Kind, D-WI, and Randy Feenstra, R-IA, recently reintroduced legislation to end the taxation of interest earned from agricultural real estate loans. The bill would make it easier for banks to lend in rural America, and it would make banks more competitive with the Farm Credit System.

GOP Senators Caution Fed on Climate Risk Regulations for Banks

A group of Republican senators recently cautioned the Fed that using financial regulation and supervision to advance environmental policy objectives “would be beyond the scope of the Federal Reserve’s mission.” The senators urged against taking additional actions regarding climate-related risks.

The lawmakers further stated that “banks are in the best position to assess and price for risks in their portfolios,” and that “...financial regulation does not and should not seek to guard against every type of unforeseen event.”

Fed to Extend Paycheck Protection Program Liquidity Facility

The Fed will extend its Paycheck Protection Program Liquidity Facility (PPPLF) until June 30, 2021. Through the facility, the Fed can make loans directly to financial institutions that are eligible to make Paycheck Protection Program (PPP) loans. This is the third time the Fed has extended the life of the PPLF.

Federal Reserve Survey Finds 10 Percent of Respondents Took COVID-19 Forbearance

More than 10 percent of homeowners in a recent Fed survey said they had entered mortgage payment forbearance at some point during the pandemic. Borrowers that were employed by pandemic-affected industries were more likely to report that they used forbearance.

One-quarter of respondents in leisure, hospitality, arts and entertainment said that they either had been or were currently in forbearance, which was consistent with the significant job losses seen by that sector. In addition, 18 percent of both construction and retail sales employees took a forbearance option during the pandemic.

What Others Are Saying about the FHLBanks

“We appreciate the (Affordable Housing Program) support provided by Red River Bank and FHLB Dallas.”

— Gulf Coast Housing Partnership President and CEO Kathy Laborde

“We are excited to partner with FHLB Dallas via AHP to help the city of Natchez provide home improvements.”

— Concordia Bank & Trust Company Vice President Paula Morris

“A core function of the FHLBanks is to provide liquidity in times of stress.”

— Federal Housing Finance Agency

“The FHLB System continued to fulfil its role as a stable and reliable source of funding for members during times of heightened market volatility and reduced access to capital markets in the first half of 2020.”

— Fitch Ratings

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