

The Housing Finance System During the Pandemic...and Beyond

Setting the Stage

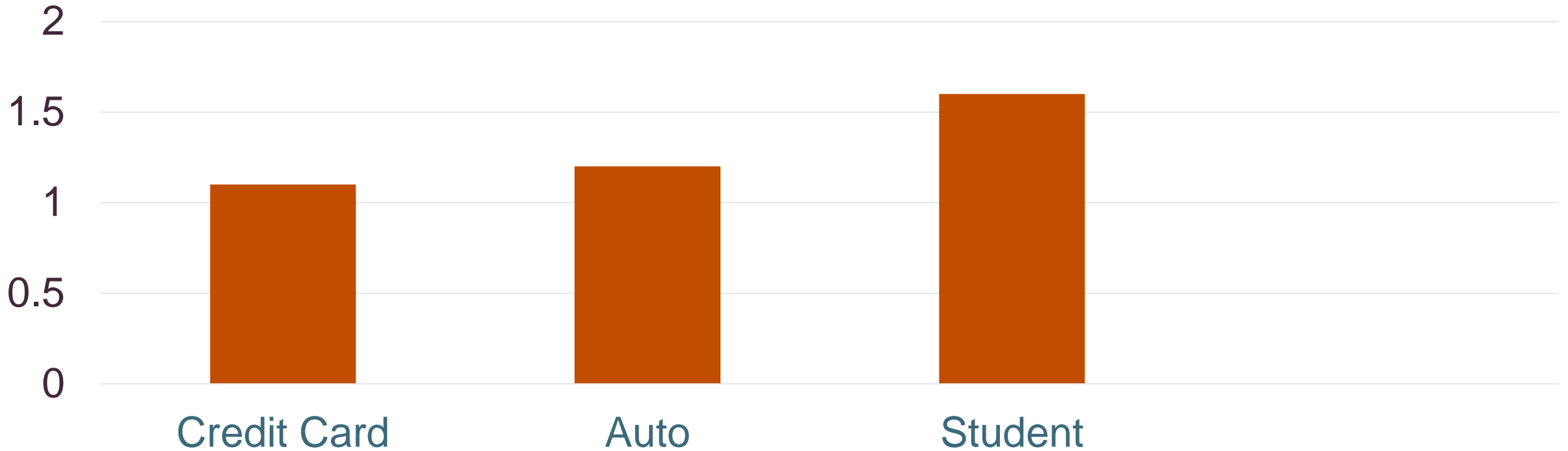
Donald H. Layton, Senior Industry Fellow

March 31, 2020

US Consumer Loan Assets ...

\$ Trillions

(12/19)

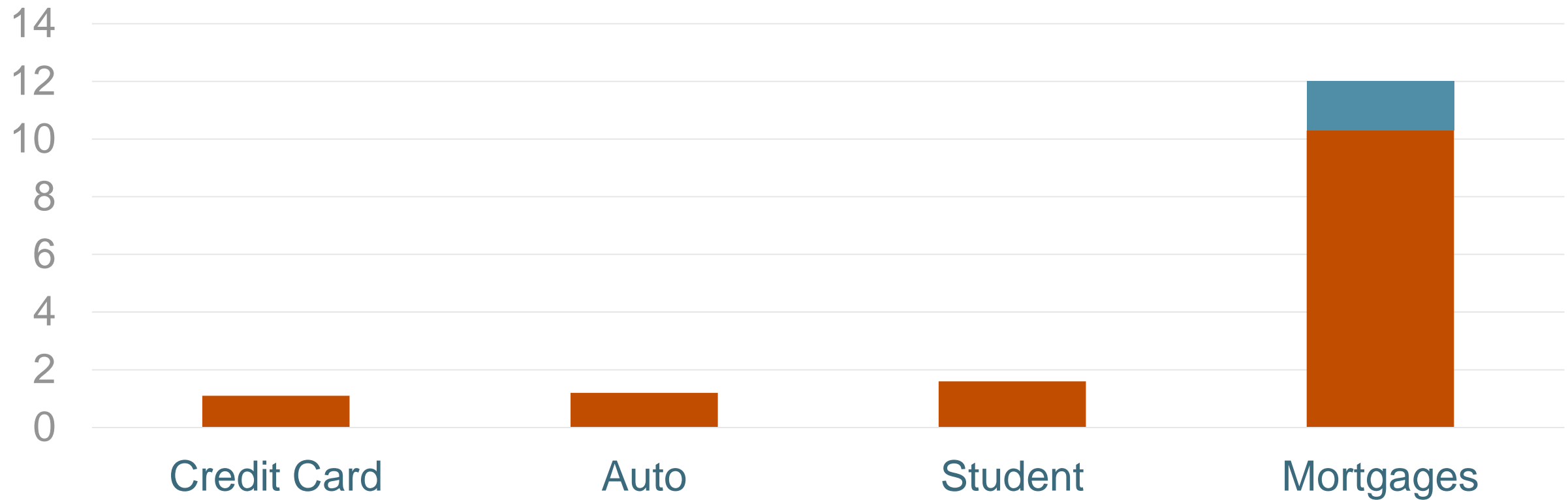


Source: Financial Accounts of the United States (Board of Governors of the Federal Reserve System)

... Are Dominated by Residential Mortgages ...

\$ Trillions

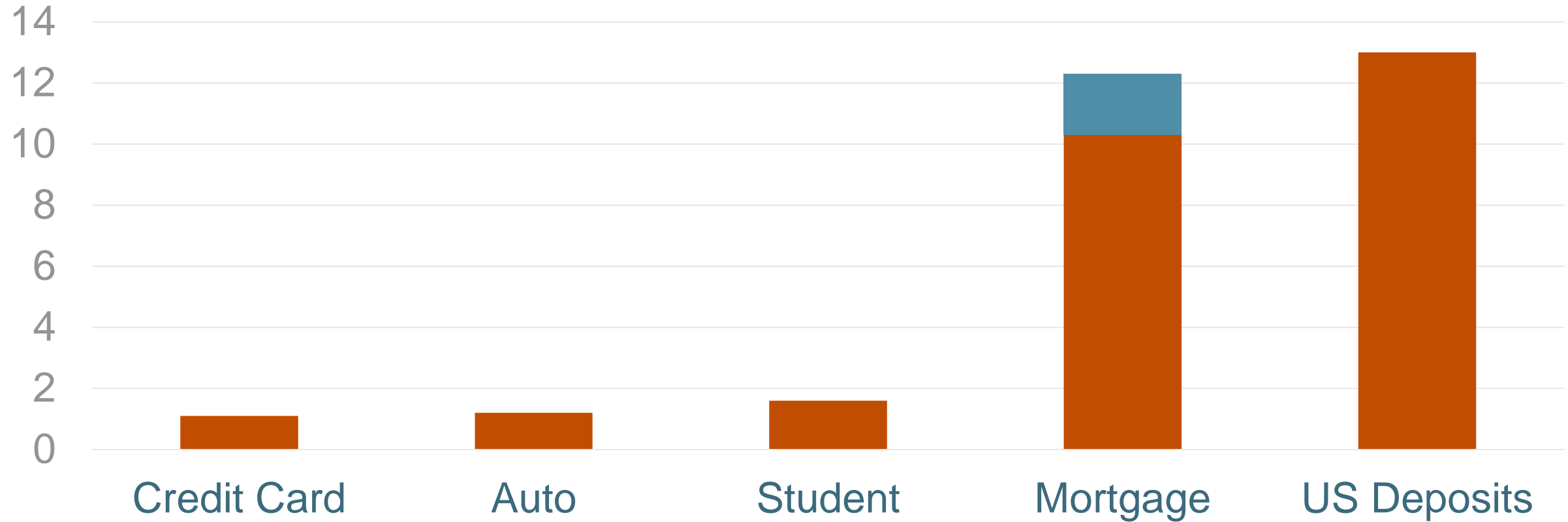
(12/19)



Source: Financial Accounts of the United States (Board of Governors of the Federal Reserve System)

... Which Are Almost As Big as U.S. Bank Deposits

\$ Trillions
(12/19)



Source: Financial Accounts of the United States (Board of Governor of the Federal Reserve System); Federal Deposit Insurance Corporation's "Statistics At A Glance"

Who Finances U.S. Residential Mortgages?

Mostly the Government!

47% GSEs (Freddie Mac, Fannie Mae)

18% FHA/VA

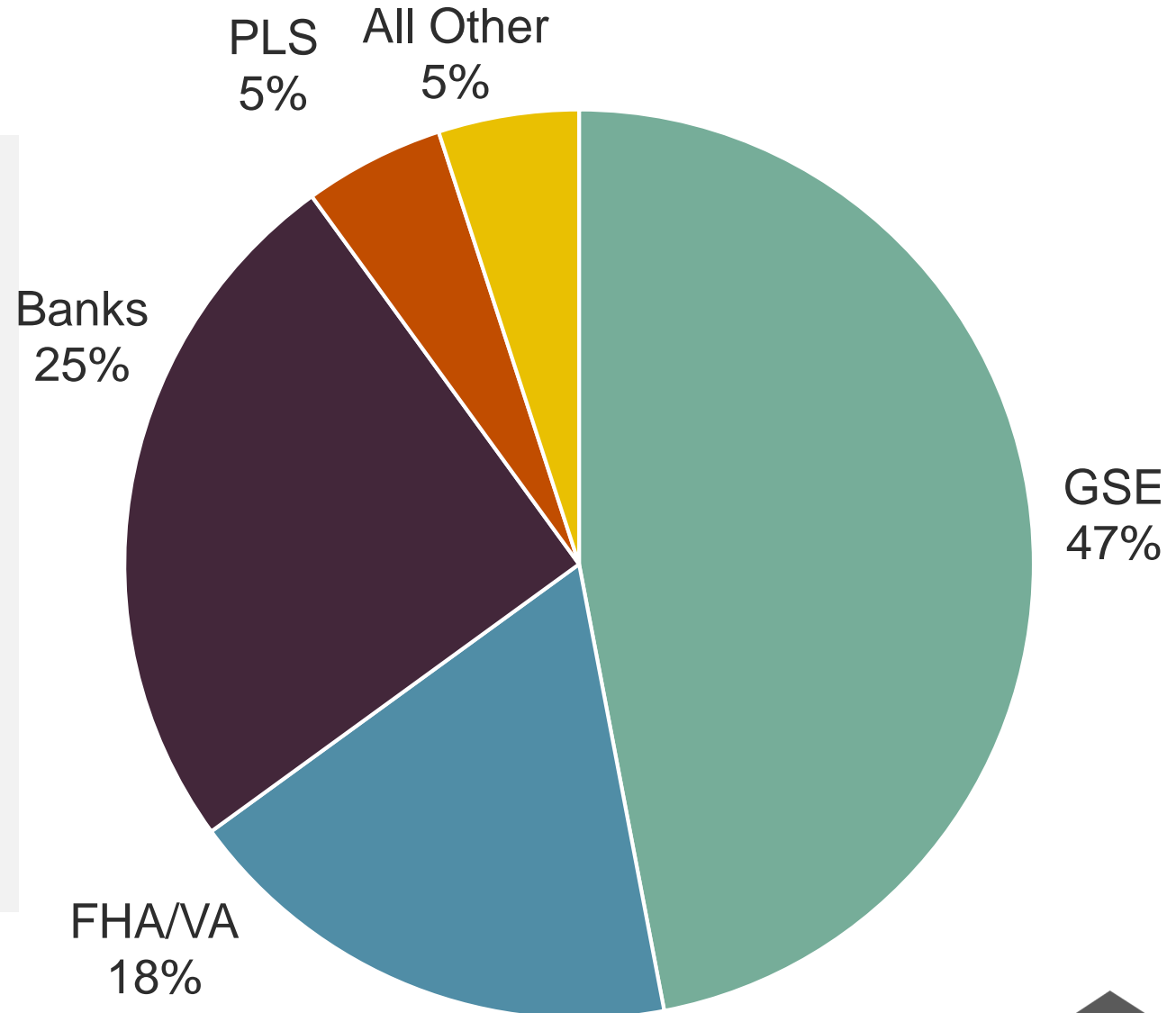
65% Government*

25% Banks

5% Private Label Securities

5% All Other

100% Total



* Includes most, but not all, gov't support.

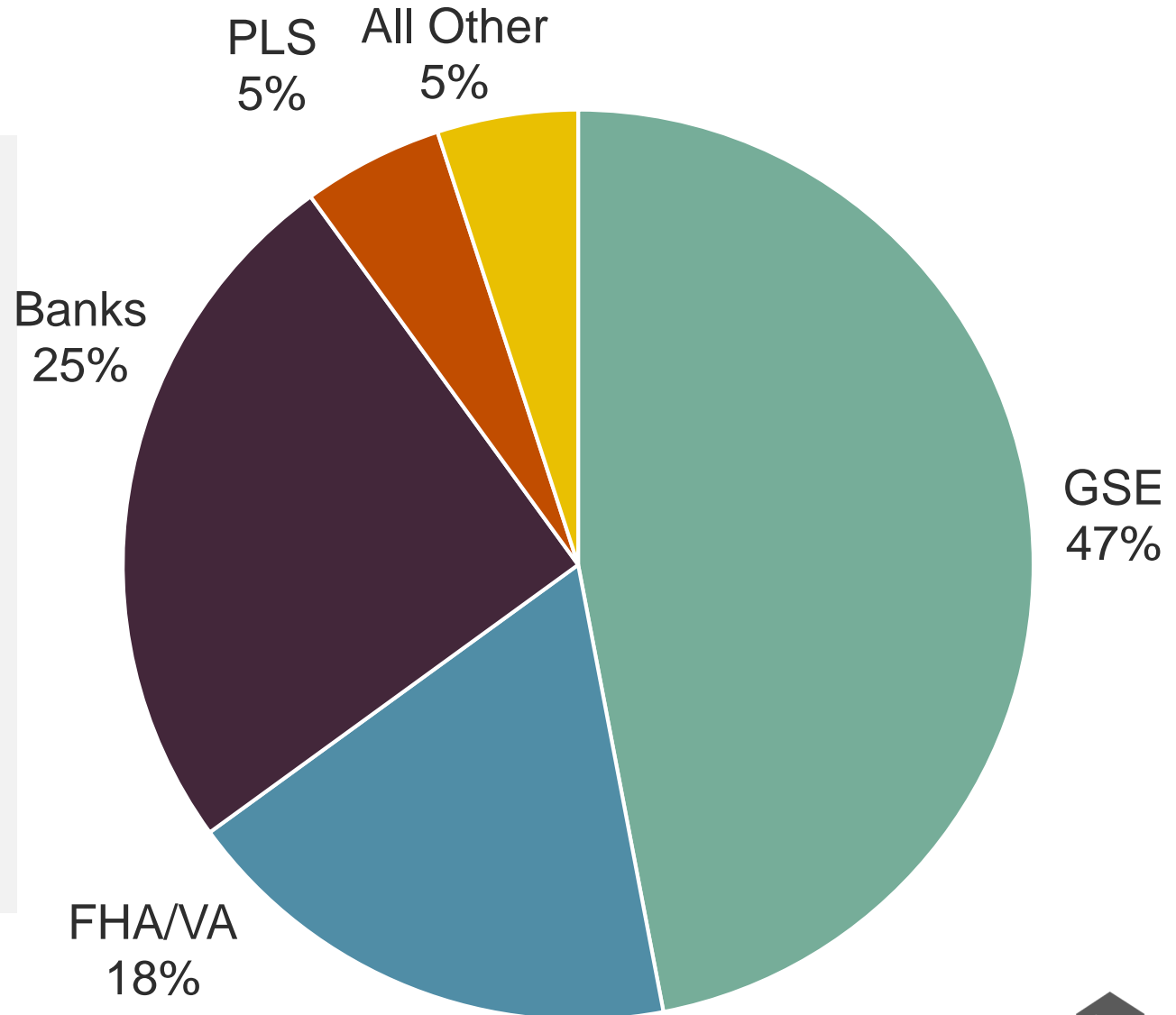
Who Finances U.S. Residential Mortgages?

Government Dominance



Ideology Battleground
Endemic Rent-Seeking
Political Micromanagement

“Extreme Politicization”



Politicization ➡ Incomplete Post-2008 Reforms

Reforms Completed, e.g.

- Upgraded regulation: GSEs and FHLBs to FHFA; Thrifts to OCC
- Qualified Mortgage Rule (under CFPB): e.g. products
- GSE changes during conservatorship: e.g. investment portfolio reduction, credit risk transfer (CRT), single security

Reforms To Come?, e.g.

- Servicing, esp. non-banks: advances, compensation/MSRs
- GSEs: e.g. capital req'mt; reforms continue after exit
- Private Mortgage Insurers: e.g. GSE parity capital, coverage certainty
- Comprehensive regulation

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