

Residential Mortgage Market Privatization and Standardization Act of 2011

Bill Summary

Purpose: The bill gradually reduces Fannie Mae and Freddie Mac over the course of 10 years by forcing the institutions to guarantee the credit on a decreasing percentage of the mortgage backed securities they issue. It also takes steps to bring uniformity and transparency to the housing market so that private capital can gradually replace the GSEs. It is necessary to begin moving away from our dependence on the government for all housing finance, and this bill is a responsible way to do so.

Section-by-section:

Section 1 – Short Title

Section 2 – Definitions

Section 3 – GSE Wind down

- Beginning 180 days after this act, FN/FH only issue MBS with a guarantee for 90% of the bond. Guarantee structure could be pro-rata (vertical) or first loss/CMO type (horizontal). Discretion given to FHFA with instruction to pick structures that obtain market signals on the pricing of credit risk.
- Directs the FHFA Director to manage a decrease in that share to 0% “on or before” 10 years. Each year the reduction must be “not less than 10%.”

Section 4 – Mortgage Market Transparency

- Beginning 365 days after the Act, FHFA Director will begin putting uniform mortgage data into the public domain. The FHFA director will maintain a database that collects uniform performance and origination data. Data will come from FN/FH and private servicers/originators. FHFA can assess industry for these costs.

Section 5 – Creation of a new TBA Market

- FHFA Director shall work with banks, servicers, originators, GSEs, and mortgage investors to create deliverability rules and technology necessary for a TBA market where no government guarantee is involved.

Section 6 – Monetization of Business Value

- FHFA Director shall sell any technology, indices, systems, etc. currently owned by Fannie/Freddie to private investors.

Section 7 – Uniform Underwriting Standards

- Replaces QRM and risk retention with 5% minimum down payment and full documentation requirement.

Section 8- Residential Mortgage Market Uniformity

- Creates a uniform pooling and servicing agreement (“PSA”).
- Creates a “MERS 2” where all loans are transferred under one system regulated by FHFA.
- Instructs the regulators (FHFA, FDIC, OCC, Fed, CFPB) to develop uniform regulatory practices and streamline mortgage regulations.