



While Liberals Wait, Watt Draws Praise from Realtors, Bankers

By Kate Ackley
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Democrats and progressive housing advocates who fought to put Melvin Watt at the helm of the Federal Housing Finance Agency expected to see the former North Carolina congressman help unleash a housing market expansion through major policy changes.

Seven months into Watt's tenure, the policy shifts have been modest and Watt is drawing praise not from those early supporters but from banks and real estate interests. They're the groups that were not directly as critical of Watt's predecessor, Edward DeMarco, the career bureaucrat who as acting director was derided by liberals, yet now see Watt providing just the sort of stability they want.

"We're extremely pleased at what he's done," said Joe Ventrone, vice president of regulatory and industry relations at the National Association of Realtors.

The group says Watt has been more open than DeMarco and has made sure Fannie Mae and Freddie Mac, the mortgage giants under FHFA's conservatorship, are making credit more available to worthy borrowers.

"Ed DeMarco was going to decrease loan limits, and one of Director Watt's first things was to stop that," Ventrone said.

By contrast, the liberal groups who pressed for Watt during a tough confirmation battle - Watt was tied up in the fight over judicial nominations that culminated in the so-called nuclear option that rewrote Senate filibuster rules - have had to exercise patience.

Left-leaning organizations say they remain cautiously, if perhaps impatiently, optimistic about Watt's future policy actions during his six-year term.

"He's kind of let them down," said Mark Calabria, director of financial regulation studies at the libertarian Cato Institute. "Industry groups - they've kind of gotten what they wanted. He's been consistently supportive of the mortgage and real estate industry his entire time in Congress, and he's been supportive here."

The liberal groups want to see whether Watt will compel Fannie and Freddie to start making payments, halted amid the housing downturn that left them broke in 2008, to the National Housing Trust Fund.

"I can tell you we're completely baffled," said Sheila Crowley, president and CEO of the National Low Income Housing Coalition, about the fund. "We would like to see that happen ASAP."

Watt declined comment for this story.

A court case in Florida against the agency remains in place, Crowley said, since Watt has not announced a change in policy. Low-income housing advocates want the trust fund replenished retroactively to 2012, when Fannie and Freddie started making profits again - perhaps in excess of \$1 billion, mainly toward rental units for extremely low-income folks.

"We are hopeful he will get that done soon, because the need is desperate," Crowley said, noting Democrats on the Hill have also pushed for such action .

Advocates at other progressive-leaning housing organizations say it's difficult to evaluate Watt's tenure atop the agency.

"It is hard to judge Mel Watt's record thus far because he hasn't weighed in on a lot of things," said Mitria Wilson, director of legislative and policy advocacy for the National Community Reinvestment Coalition.

She said Watt's initial steps in a strategic plan and accompanying scorecard have contained hopeful signals, including giving more weight in the scorecard for Fannie and Freddie's providing access to credit.

DeMarco, by contrast, was favored by conservatives and Republicans in Congress for being an extremely cautious conservator who was setting Fannie and Freddie on a path to winding down their portfolios. The FHFA took control of Fannie and Freddie after taxpayers gave them a \$180 billion bailout. Republicans preferred DeMarco so much so that they blocked Watt's nomination.

Setting Strategy

At a Brookings Institution speech in May, Watt unveiled the FHFA's new strategic plan, which included a shift from DeMarco's agenda to focus more on Fannie and Freddie's mission of helping make credit available to more Americans. His speech took on even bigger importance because it came as legislation to overhaul the housing finance system stalled on Capitol Hill .

"Mel Watt came in and actually did something very important: He made the most important thing in grading Fannie and Freddie their ability to provide access to credit," Wilson said. "And that's a big shift. In that sense, Mel Watt has gotten it right."

Still, he has not signaled whether he will tackle something much more controversial - allowing underwater borrowers to write down some of the principal owed on their mortgages.

Some housing policy experts say he has made no move on principal write-down, something the Obama administration called for, but that DeMarco declined to do because the housing market is better than it was a few years ago. But liberals say it's still needed, especially in minority and lower-income neighborhoods where many borrowers still owe more than their homes are worth.

"I think that right now people expect that Director Watt is still filling out his responsibilities and developing his own platform, but if he does not attempt in the coming year to address negative equity, you'll see more and more consumer groups raise red flags," Wilson said.

Progressive housing advocates also want to the FHFA to return Fannie and Freddie to more vigorous affordable housing goals - something conservatives vehemently oppose.

Industry groups, such as the National Association of Realtors and the Mortgage Bankers Association, say that under Watt, the FHFA has been receptive to their ideas and they've found an open, responsive door at the agency.

The real estate agent group pointed to Watt's decision to reverse DeMarco's plan to reduce Fannie and Freddie decrease loan limits.

Watt also immediately preempted an increase in Fannie and Freddie's guarantee fees - which industry officials say can increase costs on borrowers. The matter is open for comment until Sept. 8. Around that same date, Watt is scheduled to address a North

Carolina Bankers Association conference in Raleigh, N.C., perhaps an occasion for a major policy speech {link: <https://www.ncbankers.org/education/american-mortgage-conference/speakers/> }.

David Stevens, a former Obama administration housing official who now runs the Mortgage Bankers Association, called Watt's decision to overturn DeMarco's guarantee fee increase "a very bold move," especially since Watt announced his intention to do it even before he was officially sworn in.

Reaching Out

Like Stevens, Ventrone, of the Realtor group, said the FHFA's willingness to listen to stakeholders is, under Watt, "much better."

Among his first actions, Watt installed four special advisers including Bob Ryan, a point person on industry relations. The other three are: Megan Moore, who handles intergovernmental affairs; Eric Stein, a liaison with consumer groups; and Mario Ugoletti, a former top hand to DeMarco who takes the lead on the agency's bureaucracy.

"Director Watt was brilliant," Ventrone said. "He came in there and he didn't start making speeches, he hired four key people. ... It's good outreach. We're a trade group that represents a million members. If we don't get good outreach, then we do funny things" like sending letters and emails and making phone calls.

Industry groups also cheered this month when the FHFA moved forward on its plan for a single mortgage security for both Fannie and Freddie.

In his May speech, Watt said, "FHFA will proceed with these steps in a transparent way that incorporates the feedback of the public and stakeholder groups whenever possible."

Stevens said his industry sees distinct differences in the approach between Watt and DeMarco, and mortgage bankers give Watt "extremely positive" marks, especially for looking to broaden credit access as opposed to potentially curtailing Fannie and Freddie's lending.

He said that under Watt, the FHFA has embraced many of the Mortgage Bankers Association's policy goals (PDF), such as the recent move toward a common security for Fannie and Freddie.

Just as important, Stevens said, is that Watt has responded to their calls for more transparency in the FHFA's decision-making process.

"Mel Watt's very different, he's been much more transparent," Stevens said.