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5 things to watch at FHFA nominee's Senate hearing

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WASHINGTON — All eyes will soon be on Mark Calabria.

The Trump administration's nominee to serve as director of the Federal Housing Finance Agency, Calabria is set to testify Thursday before the Senate Banking Committee. The nomination hearing could provide an important window into the White House's plans for a future housing finance system, including how reforms might be carried out.

Senators almost certainly will grill Calabria on what he knows about an administrative framework that acting FHFA Director Joseph Otting has promised is forthcoming, but he will likely have to convince lawmakers that Congress still has a role in reforming the government-sponsored enterprises if he hopes to secure his confirmation.

Calabria will also have a tall order in tempering past criticisms of Fannie Mae and Freddie Mac, especially if the administration ultimately seeks to recapitalize the GSEs under his watch. Before joining the Trump administration as Vice President Mike Pence's chief economist, Calabria was the director of financial regulation studies at the Cato Institute, where he regularly advocated for constraining the footprint of Fannie and Freddie.

"As the members of the Committee are perhaps aware, I have an extensive record of writings in the area of mortgage finance. I have on a few occasions expressed strong opinions on the history and future of our mortgage finance system," Calabria said in his written testimony, published on Wednesday in advance of the hearing. "I have most definitely expressed, and express here today, a frustration with the current state of our mortgage system and the need for reform."

"Despite that frustration, I want to very clearly state to this Committee, that if confirmed, my role as Director of FHFA is to carry out the clear intent of Congress, not to impose my own vision," he added.

Following are five key questions to consider ahead of the hearing.

What does Calabria know about the administration's plans for housing finance reform?

Crucially, the nomination hearing could be the first chance senators have to drill down into the mechanics of the administration's framework for housing reform.

Otting reportedly told agency employees at a staff meeting last month that "Mark has signed off on" the administration's proposal to overhaul the housing finance system.

Sen. Sherrod Brown, D-Ohio, the ranking member of the Senate Banking Committee, along with House Financial Services Committee Chair Maxine Waters, D-Calif., sent Otting a letter after his comments were reported, requesting that Otting provide the committees with “a copy or detailed description of the mission that Treasury and the White House have outlined to which you referred.”

But Otting sidestepped the inquiry in his response, instead saying he welcomes congressional Democrats' “insight and perspective” on how to end the conservatorships of Fannie Mae and Freddie Mac.

Now lawmakers, including Brown, will have the opportunity to ask another administration official about the White House's plans, especially if Calabria did approve the plan, as Otting previously indicated.

“Even if the new blueprint isn't yet formally out there, Mark will be called to discuss where he understands the administration to be on Fannie and Freddie,” Charles Gabriel, the president of Capital Alpha, said in a Jan. 25 research note. “And why would Otting have spilled the beans if he and others hadn't pre-thought how Congress might react?”

Any questions about the White House's plans for GSE reform will be scrutinized, as administration officials have put out conflicting information, with Otting suggesting that an end to conservatorship was in sight, while a White House spokeswoman has said that the administration plans on working with Congress and will ask federal agencies to propose reform plans.

“It is possible Dr. Calabria provides some details about how the Trump administration plans to end the GSEs' conservatorships, but... any comments he makes are likely to be general in nature and highlight the administration's preference to work with Congress on the matter while preserving its option to act unilaterally if Congress fails to pass legislation,” analysts from Keefe, Bruyette & Woods said in a research note.