

# AMERICAN BANKER

## Seven contenders to become next FHFA chief

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If you want to predict the future for the mortgage giants Fannie Mae and Freddie Mac, you need to first start with who President Trump will nominate to serve as the next head of the Federal Housing Finance Agency.

The next director of the FHFA is still a mystery, but whoever succeeds current Director Mel Watt once his term ends in January will have a front-and-center role in efforts to reform the government-sponsored enterprises.

That person's policy background and philosophy will be crucial, both in terms of how the FHFA implements any congressional reforms, or uses administrative power to make changes in the absence of legislation. Key areas include whether the status quo around the GSEs continues, how they or their conservatorships are wound down, and what housing finance vehicle would emerge in a future scenario without the two companies.

"The FHFA director individually has so much power, and because that individual has so much power, it is important to watch who gets confirmed," said Ed Mills, a policy analyst at Raymond James. "If you want to know what GSE reform is going to look like, we first need to know who the FHFA director will be."

To get a nominee in place before Watt leaves, the administration would have to act fast as the confirmation process can drag out for months. But the administration could also allow one of Watt's lieutenants to become acting director, or appoint a temporary director under the Federal Vacancies Reform Act, if it wanted to play for more time. Winning Democratic support for any FHFA nominee will be tough, observers said, which could delay the confirmation process.

"I think that it's difficult to imagine Democrats will move quickly on any nomination, especially if it is someone who is more ideologically bent towards narrowing the footprint of the GSEs," said Isaac Boltansky, financial policy analyst at Compass Point.

While it is still unclear who the administration is eyeing for the job, here is a list of potential successors mentioned for the role:

### **Adolfo Marzol**

Marzol, the senior adviser to Department of Housing and Urban Development Secretary Ben Carson, is Mills' top pick for FHFA director.

"I think he is someone who would be viewed favorably on Capitol Hill and from the housing finance industry," Mills said.

Before joining HUD, Marzol spent several years at Essent Guaranty and Essent Group, serving as director, executive vice president, executive vice chairman and vice chairman of enterprise risk.

Marzol also held several positions at Fannie Mae from 1996 to 2006, including executive vice president of finance and credit, senior vice president of corporate strategy and competitive analysis and interim chief risk officer.

Mills said Marzol likely would support reducing the GSEs' influence on the mortgage market, but not immediately releasing them from conservatorship. His approach could differ from policymakers who have backed cutting off the government's influence in housing finance, such as House Financial Services Committee Chairman Jeb Hensarling, who has also been mentioned as a potential FHFA pick.

"I think an Adolfo or someone who the industry is comfortable with would chart a very different path than a Chairman Hensarling," Mills said.

### **Jeb Hensarling**

Hensarling, a Texas Republican who has served as chair of the House Financial Services Committee since 2013, is not seeking re-election, meaning he could be polishing his resume at the same time Watt's term ends.

Hensarling has tried for years to jettison the government's role in the mortgage market.

"To be clear, Fannie and Freddie must be wound down and their charters repealed," he said in December, opposing plans to recapitalize the companies. "I fear any plan to recap and release may very well constitute deja vu all over again."

Hensarling has been asked several times whether he wants the FHFA job. At an event in May, he said that while it would be "tempting" to head the agency, he has no interest in the role. Instead, he recommended former acting Director Ed DeMarco for the job. But asked about the FHFA job again on Wednesday, Hensarling said, "That one would be intriguing to me."

"I think Hensarling is more in the running than he himself would suggest," Boltansky said. Indeed, he said he believes Hensarling is a front-runner for the job.

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### **Mark Calabria**

Bloomberg News

Currently serving as chief economist to Vice President Mike Pence, Calabria has an extensive background in housing finance and has been a consistent voice in support of overhauling Fannie and Freddie, and giving the private market a role.

In a 2016 op-ed for American Banker, Calabria — then the director of financial regulation

studies at the Cato Institute — noted that the FHFA has the ability to put the two mortgage giants into receivership.

“Having the government act as receiver for the two mortgage giants — instead of conservator — would have had many important benefits,” he wrote. “It would have restructured the GSEs without any taxpayer support, while allowing them to continue to support the mortgage market. Just as importantly, receivership would have transformed Fannie and Freddie into ‘clean’ companies, ready to be released back into the private market.”

He was previously a senior aide for the Senate Banking Committee and a deputy assistant secretary for regulatory affairs at HUD.