

New Democrats' Financial Services Task Force
Principles for Housing Finance Reform

- *Preserve Accessibility of Traditional Mortgage Products:* For generations of Americans, the 30- year fixed rate mortgage has provided opportunity for responsible home ownership, and affordable access to these products must be preserved in any reform of the housing finance system.
- *Ensure a Robust Private Market:* The Fannie Mae and Freddie Mac hybrid model of privatized gains and subsidized losses must be eliminated, and the current reliance on government backed loans must be reduced. The use of private sector mechanisms to reduce risk should be encouraged.
- *Limit Taxpayer Liability:* Any government guarantee should cover only the securities themselves, which should be based on fundamentally sound mortgages with strong underwriting standards, not the issuing entity. Companies issuing securities products must be subject to a strong and independent regulator that ensures the companies are well capitalized and capable of withstanding deep losses
- *Accurately Price Risk:* The guarantee must be explicit and priced in a way that fully accounts for the risk borne by taxpayers. The pricing mechanism must be insulated from political pressure to the greatest extent practical.
- *Encourage Greater Competition and Deep Liquidity:* Encouraging a large number of private sector entities to participate in the secondary mortgage market will create pressure to keep costs low, and having a large number of well capitalized firms securitizing loans will reduce systemic risk.
- *Require Sound Underwriting:* While there were many factors that contributed to the housing crisis and the 2008 financial collapse, one significant factor was a lack of sound underwriting standards. Firms participating in the secondary mortgage market must ensure that borrowers obtain loans that they can actually afford.
- *Limit Activity:* A strong and independent regulator must narrowly charter the activities of issuers to limit these companies from engaging in activity that is inconsistent with preserving the accessibility of traditional mortgage products.
- *Produce a Full Range of Housing Options:* In addition to the role they play in providing liquidity for the secondary mortgage markets, the GSEs are an important source of financing for the multifamily housing industry. Housing finance reform should not reduce the availability of multifamily mortgage credit.

The New Democrat Coalition Financial Services Task Force is co-chaired by Representative Jim Himes (CT-4) and Representative Gary Peters (MI-9). These principles have been endorsed by the New Democrat Coalition.

The New Democrat Coalition is a Coalition of 43 moderate members of the U.S. House of Representatives who are dedicated to the prosperity and security of American families and business. Founded in 1997, the NDC provides Members of Congress with the opportunity to advance a common sense policy agenda focused on empowering the U.S. to grow economically and maintain a vibrant job market, preserving the U.S. standing as the world's leader in innovation and technological advancement, and strengthening our economic and national security. For more information, visit the New Dems website at <http://ndc.crowley.house.gov>.