

# Recently Unveiled “HOME Forward” Housing Act May Signal the End of Fannie and Freddie



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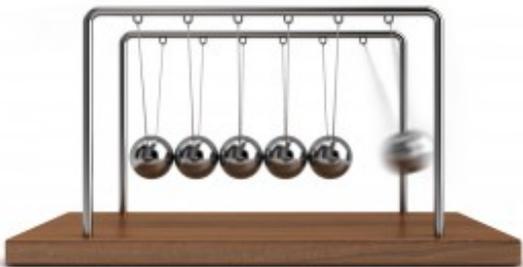
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Momentum in housing-finance reformation picked up speed last month as the House Financial Services Committee unveiled the proposed [Housing Opportunities Move the Economy \(HOME\) Forward Act of 2014](#). The proposed HOME Forward Act was introduced by Rep. Maxine Waters, who stated that the Act provides “an opportunity to address some of the fundamental flaws of the current system, by ending the perverse incentives created by Fannie Mae and Freddie Mac’s ownership structure and providing an explicit government guarantee that is paid for by industry.”



## Key Features of Act

Waters' bill, built upon previous efforts by Sens. Bob Corker, Mark Warner, Tim Johnson, and Mike Crapo, has generally been well-received in Washington on both sides of the aisle, as it would pave the way for a new approach to the mortgage-finance market and continued wind-down of GSEs. Some of the key points of the Act include: the creation of a new, independent agency called the Federal Mortgage Insurance Corporation ("FMIC") to replace Fannie Mae and Freddie Mac; the requirement that private investors in residential-mortgage securities hold a first-loss position adequate to cover losses in the event of a future economic downturn; FMIC insurance of payment and interest; FMIC standardization of securitization agreements and oversight of loan aggregators, guarantors and servicers; new standards for credit-risk sharing; and a bipartisan Board of Directors.

By replacing Fannie and Freddie with the FMIC, the hope would be to create "a new structure that provides more private capital and maintains liquidity . . . establishing a strong new regulator and ensuring that small and community financial institutions can participate in the new system," said Waters. The future of the HOME Forward bill remains uncertain, however, as proponents still await the support of Senate Democratic leaders and will undoubtedly face challenges if it ultimately reaches the Republican-controlled House.

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