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United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

January 15, 2025

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, D.C. 20219

Dear Director Thompson:

I write to express my concerns about several actions taken by the Federal Housing Finance Agency (FHFA or Agency) throughout your tenure as Director. Your actions raise questions about your commitment in ensuring FHFA remains focused on prudent supervision of Fannie Mae, Freddie Mac (together, the Enterprises), and the Federal Home Loan Bank (FHLB) System, which collectively support nearly \$9 trillion in funding for mortgages to American families. Regrettably, under your leadership, it appears FHFA has prioritized partisan political agendas over sound regulation.

There is no clearer example of FHFA's politization than with its most recent decision to abdicate responsibility for preserving and restoring the soundness and solvency of the Enterprises. Though federal agencies are prohibited from interfering in the affairs of FHFA as conservator,<sup>1</sup> the Agency entered into an agreement and provided the Department of the Treasury (Treasury) and the President himself the right to consent to an end to the conservatorships.<sup>2</sup> This stands in stark contrast to nearly four years ago, when FHFA and the Treasury jointly committed to reforming the Enterprises and resolving the conservatorships, endeavoring to transmit a proposal to Congress.<sup>3</sup> In just a few short years, FHFA went from an agency carefully considering how to preserve and protect the safety and soundness of the failed Enterprises to a politicized husk reacting to the whims of the administration and completely disregarding the law.

The following examples further illustrate FHFA's increased politization:

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<sup>1</sup> 12 U.S.C. § 4617(a)(7).

<sup>2</sup> Side Letter Agreement between Sandra Thompson, Dir., Fed. Hous. Fin. Agency, and Janet Yellen, Sec'y, Dep't of the Treasury (Jan. 2, 2025), <https://home.treasury.gov/system/files/136/letter-agreements-and-side-letter-executed-by-ust-and-fhfa.pdf>.

<sup>3</sup> *Executed Letter Agreement for Fannie Mae* 10 (Jan. 14, 2021), <https://home.treasury.gov/system/files/136/Executed-Letter-Agreement-for-Fannie-Mae.pdf>; *Executed Letter Agreement for Freddie Mac* 10 (Jan. 14, 2021), <https://home.treasury.gov/system/files/136/Executed-Letter-Agreement-for-Freddie%20Mac.pdf>.

1. Members of this Committee articulated significant concerns with FHFA’s instruction to the Enterprises that they submit Equitable Housing Finance Plans (Equity Plans) as well as the proposed rule codifying the development of such Equity Plans. These Equity Plans are inherently problematic for reasons members of this Committee already articulated and suggest a troubling departure from FHFA’s safety and soundness mandate. FHFA revealed that its final rule was “informed by the concept of equity” under the Biden-Harris Administration’s very first Executive Order on advancing racial equity and subsequent Presidential Memorandum on redressing housing discrimination.<sup>4</sup> On the same day FHFA announced the final rule, the Agency created a new Division of Public Interest Examination to conduct “public interest” examinations of its regulated entities and “increase synergy,”<sup>5</sup> presumably by evaluating compliance with the mandated Equity Plans.<sup>6</sup>
2. FHFA recently approved a Title Acceptance Pilot eliminating title insurance requirements for certain loans. Though you asserted to Congress that FHFA was not pushing any proposal to eliminate title insurance and that such a proposal would not be approved outside the process laid out in the Prior Approval for Enterprise Products Rule,<sup>7</sup> that was not true. FHFA had, in fact, approved the pilot without seeking public input, and the announcement came just hours before President Biden’s State of the Union address, where the President revealed the administration’s intent to “eliminate title insurance on federally backed mortgages.” This coordination appears to be politically motivated.
3. Members of this Committee previously articulated their concerns regarding Freddie Mac’s proposed pilot to purchase and guarantee single-family closed-end second mortgages which FHFA has conditionally approved.<sup>8</sup> The fact remains that this is a thinly veiled attempt by the administration to offset the effects of this administration’s excessive fiscal spending.
4. The Enterprises jointly developed a definition of “first-generation homebuyer” to increase lending activities to these borrowers as described in each of the Enterprises’ Equity Plans.<sup>9</sup> Though they each acknowledge in their announcements that the concept of

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<sup>4</sup> Fair Lending, Fair Housing, and Equitable Housing Finance Plans, 89 Fed. Reg. 42,768, 42,779 (Apr. 26, 2023).

<sup>5</sup> Press Release, Fed. Hous. Fin. Agency, FHFA Announces New Division of Public Interest Examination (Apr. 29, 2024), <https://www.fhfa.gov/news/news-release/fhfa-announces-new-division-of-public-interest-examination>.

<sup>6</sup> Press Release, Fed. Hous. Fin. Agency, FHFA Announces Release of Fair Lending Final Rule (Apr. 29, 2024), <https://www.fhfa.gov/news/news-release/fhfa-announces-release-of-fair-lending-final-rule>.

<sup>7</sup> *FHFA Oversight: Protecting Homeowners and Taxpayers: Hearing Before the H. Comm. on Fin. Serv.*, 118th Cong. 43, 60 (2023) (statement of Sandra Thompson, Dir., Fed. Hous. Fin. Agency).

<sup>8</sup> Letter to from Bill Hagerty, Sen., to Sandra Thompson, Dir., Fed. Hous. Fin. Agency (May 24, 2024) <https://www.banking.senate.gov/imo/media/doc/fhfa-second-mortgage-letter-52424-finalpdf.pdf>.

<sup>9</sup> Fannie Mae, *Equitable Housing Finance Plan 2024* 25 (Apr. 29, 2024), <https://www.fanniemae.com/media/document/pdf/2024-housing-finance-plan.pdf>; Freddie Mac, *Equitable Housing Finance Plan 2024* 9 (Apr. 29, 2024), <https://www.freddie.com/about/pdf/2024-Freddie-Mac-Equitable-Housing-Finance-Plan.pdf>.

a “first-generation homebuyer” is not new,<sup>10</sup> the definition developed under FHFA’s guidance certainly is. A first-generation homebuyer is inexplicably defined to be someone who claims, without independent verification by the lender, that he or she has never purchased a home within the last three years and whose parent has not purchased a home in that same short time.<sup>11</sup> This definition exposes the Enterprises to too great a risk of abuse, leading fraudsters to take advantage of market programs at the expense of real first-time and first-generation homebuyers.

5. Following the White House release of a “Blueprint for a Renters’ Bill of Rights” that reveals the administration’s intent to identify ways to impose price controls on rent,<sup>12</sup> FHFA published a Request for Input to solicit recommendations on requirements for the timing and amount of rent increases.<sup>13</sup> Though the White House asserted transparency throughout the process,<sup>14</sup> FHFA announced a new policy restricting the timing of rent increases in all multifamily housing financed with mortgages purchased by the Enterprises and noted that it “will continue to evaluate options for codifying additional tenant protections.”<sup>15</sup> I am increasingly concerned with FHFA’s seeming adherence to recommended direction from the White House.
6. Wally Adeyemo, Deputy Secretary of the Treasury, took an unprecedented step in threatening the FHLBanks that if they do not increase their voluntary contributions of net income toward affordable housing beyond what is statutorily mandated and using retained earnings for additional subsidies toward housing production, the administration would work with Congress to force them to do so.<sup>16</sup> As their regulator, FHFA must ensure the FHLBanks are able to provide liquidity to their member institutions but you appear to have ceded this responsibility to the Treasury.
7. FHFA’s recent notice of proposed rulemaking sets new experience requirements for independent directors chosen to serve on boards of FHLBanks, allowing individuals merely with knowledge of “climate-related risk” to be eligible.<sup>17</sup> FHFA also proposes imposing any other experience requirements without going through the rulemaking

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<sup>10</sup> Fannie Mae, *First-Generation Homebuyer Fact Sheet 1* (May 1, 2024), <https://www.fanniemae.com/media/51096/display>; Freddie Mac, *First-Generation Homebuyer Fact Sheet 1* (May 1, 2024), [https://sf.freddiemac.com/docs/first\\_generation\\_fact\\_sheet.pdf](https://sf.freddiemac.com/docs/first_generation_fact_sheet.pdf).

<sup>11</sup> *See id.*

<sup>12</sup> The White House, *Blueprint for a Renters Bill of Rights 6* (Jan. 25, 2023) <https://www.whitehouse.gov/wp-content/uploads/2023/01/White-House-Blueprint-for-a-Renters-Bill-of-Rights.pdf>.

<sup>13</sup> Fed. Hous. Fin. Agency, *Tenant Protections for Enterprise-Backed Multifamily Properties: Request for Input 6* (May 2023), <https://www.fhfa.gov/sites/default/files/2024-01/Multifamily-Tenant-Protections-RFI.pdf>.

<sup>14</sup> *See* The White House *supra* note 12 at 6.

<sup>15</sup> Press Release, Fed. Hous. Fin. Agency, FHFA Announces Multifamily Tenant Protections (July 12, 2024), <https://www.fhfa.gov/news/news-release/fhfa-announces-multifamily-tenant-protections-july-2024>.

<sup>16</sup> Letter from Wally Adeyemo, Dep. Sec’y, Dep’t of the Treasury, to Eric Chatman, Bd. Member, Fed. Home Loan Bank of Boston (Aug. 7, 2024), <https://subscriber.politicopro.com/f/?id=00000191-2e8a-df1e-a9d5-fee0bcf0000>.

<sup>17</sup> Federal Home Loan Bank System Boards of Directors and Executive Management 89 Fed. Reg. 87,730, 87,751 (proposed Nov. 4, 2024) (to be codified at 12 C.F.R. § 1261.5(c)(1)).

The Hon. Sandra Thompson  
January 14, 2025

process,<sup>18</sup> allowing FHFA to unilaterally require boards of FHLBanks to have diversity, equity, and inclusion if the Agency so chooses. Climate-related risk is, at best, tangential to the FHLBanks' primary function of providing liquidity to their member institutions, and experience requirements of directors should reflect the needs of the FHLBanks rather than the policy preferences of the administration.

FHFA's actions risk undermining stability of the housing finance system and substantially deviate from the Agency's responsibilities, appearing to be driven more by political considerations rather than by prudential regulatory objectives. Former Chairman Johnson stated the Committee must "exercise Congressional oversight to ensure that the agency is balancing its attention among the entities it regulates and the role as conservator of Fannie Mae and Freddie Mac."<sup>19</sup> With the recent politicized attention FHFA has shown its regulated entities, we agree. I look forward to exercising our oversight responsibilities this Congress and working with FHFA to ensure the Enterprises are well-positioned to operate outside of conservatorship.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Scott", with a stylized flourish extending to the right.

Tim Scott  
Chairman

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<sup>18</sup> *Id.* at 87,737.

<sup>19</sup> *Oversight of the Federal Housing Finance Agency—Part I: Hearing Before the S. Comm. on Banking, Hous., and Urban Affairs*, 112th Cong. 1 (2011) (statement of Sen. Tim Johnson, Chairman, S. Comm. on Banking, Hous., and Urban Affairs).