



# 2021 SCORECARD FOR FANNIE MAE, FREDDIE MAC, AND COMMON SECURITIZATION SOLUTIONS

February 2021



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The purpose of the 2021 Scorecard is to ensure that Fannie Mae and Freddie Mac (the Enterprises) and Common Securitization Solutions, LLC (CSS) focus on their core mission responsibilities, operate in a manner appropriate for entities in conservatorships with limited capital buffers, and undertake those activities necessary to support an exit from conservatorship. Continuing the structure established in the 2020 Scorecard, the 2021 Scorecard is comprised of three focus areas:

## I. Foster Competitive, Liquid, Efficient, And Resilient (CLEAR) National Housing Finance Markets

*Foster national housing finance markets that protect taxpayers, promote liquidity through the cycle, and support sustainable homeownership and affordable rental housing, while ensuring the Enterprises fulfill all statutory mandates.*

## II. Ensure Safety and Soundness

*Operate the Enterprises with heightened focus on safety and soundness to enable them to provide mortgage market liquidity through the economic cycle with a prudent risk profile. Maintain effective risk management systems necessary and appropriate for entities in conservatorship with limited capital buffers.*

## III. Prepare for a Transition Out of Conservatorship

*Continue to support the development and implementation of a responsible transition plan to exit the conservatorships, with appropriate readiness by the Enterprises.*



**In addition to the specific Scorecard items outlined below, the Enterprises and Common Securitization Solutions, LLC (CSS) will be assessed based on the extent to which:**

- Each Enterprise's activities foster CLEAR national housing finance markets that support homeowners and renters with responsible and sustainable products and programs;
- Each Enterprise conducts business in a safe and sound manner, anticipates and mitigates emerging risk issues and remediates identified risk concerns on a timely basis;
- Each Enterprise meets expectations under all of FHFA's requirements, including capital, liquidity and resolution planning requirements;
- Each Enterprise conducts initiatives with consideration for diversity and inclusion under statutory requirements consistent with FHFA's expectations;
- Each Enterprise cooperates and collaborates with each other, the industry, and other stakeholders, in consultation with FHFA; and
- Each Enterprise delivers work products that are high quality, thorough, creative, effective, and timely.



### I. Foster Competitive, Liquid, Efficient, And Resilient (CLEAR) National Housing Finance Markets

*The Enterprises should conduct business and undertake initiatives that support statutory mandates and ensure competitive national housing finance markets that protect taxpayers, promote liquidity through the cycle, and support sustainable homeownership and affordable rental housing.*

- **Housing Goals / Duty-to-Serve:** Fulfill the Enterprises' Housing Goals and Duty-to-Serve plans by offering sustainable mortgage programs and conducting effective outreach.
- **Uniform Mortgage-Backed Security (UMBS):** Carefully monitor and maintain UMBS cash flow alignment and take such further steps as necessary to ensure a well-functioning To-Be-Announced (TBA) securitization market.
- **Key On-going Initiatives:** Successfully continue to implement key on-going initiatives.
  - **COVID-19 Market Actions** – Continue to respond as appropriate to mortgage market needs related to COVID-19.
  - **Multifamily Caps** – Manage to the multifamily cap requirements described in Appendix A.
  - **Credit Score Rule** – Continue implementation of the final Credit Score Rule with adherence to the regulation's requirements in a timely and effective manner.
  - **Collateral Evaluation RFI Process** – Continue to support FHFA's assessment of the collateral evaluation process, including alternative appraisal approaches and supporting technology.
  - **LIBOR Transition** – Continue to ensure that there is an effective transition from LIBOR to approved alternative reference rates by announcing plans and milestones to transition legacy LIBOR products.
- **Level Playing Field Standards and Increased Transparency:**
  - Support strategies that enhance a level playing field for a wide range of mortgage market participants.
  - Continue to comply with prohibitions on volume-based pricing for purchases of mortgage loans from lenders and work to ensure that all approved lenders have access to Enterprise programs on consistent terms.
  - Continue to operate the cash window and whole loan conduit and implement requirements related to focusing cash window and whole loan conduit purchases on small and regional lenders.



- Continue to assess additional data that could be made publicly available to inform risk transfer markets and foster a competitive mortgage market that does not crowd out private capital.
- **Efficient Operation of State and Local Housing Markets:** Assess opportunities and seek stakeholder feedback through an RFI to support and encourage state and local policies that enable the housing market to function more efficiently by (1) reducing the cost of housing production and/or (2) lowering the cost or risk of providing mortgage financing.
- **Natural Disaster Assessment:** Monitor risks and exposures to the Enterprises' books of business from natural disasters.

## II. Ensure Safety and Soundness

*In order to provide mortgage liquidity through the cycle, the Enterprises should focus on operating all aspects of the business in a safe and sound manner given limited capital cushions, with a prudent risk profile and heightened risk management appropriate for conservatorship. These efforts include:*

- **Risk Profile:** Develop appropriate Enterprise risk limits to ensure risk and complexity are reduced to levels more appropriate for regulated entities with limited capital cushions.
- **Capital Management and Planning:** Implement capital management and capital planning capabilities that transition away from the existing Conservatorship Capital Framework to the Enterprise Capital Rule requirements.
  - Develop and implement transition plans that achieve compliance with the Enterprise Capital Rule in a reasonable amount of time under alternative scenarios.
  - Implement capabilities to allocate capital and manage risk dynamically.
  - Develop and implement sound capital management plans that appropriately tailor risk to Enterprise capital levels and incorporate resolution planning objectives.
- **Resolution Planning:** Begin developing, in coordination with and pursuant to guidance from FHFA, a plan to resolve the Enterprise without recourse to extraordinary support from Treasury or taxpayers, that preserves the core businesses of the Enterprise and minimizes potential disruption to housing and finance markets.
- **Risk Transfer:** Continue to transfer credit risk to private markets in a commercially reasonable and safe and sound manner, including actively pursuing sales of less liquid assets such as non-performing loans and re-performing loans.



- **Mortgage Selling and Servicing:** Continue mortgage selling, servicing, and asset management efforts that promote stability and readiness for continued COVID-19 stress and the potential for more challenging market conditions.
  - Assist FHFA in finalizing and implementing updated Seller / Servicer Eligibility Requirements.
  - Continue to assess additional counterparty risk management controls and requirements that further ensure appropriate safety and soundness.
  - Continue to assess readiness and capability of servicers and appropriateness of servicing policies and processes.
  - Carefully assess and mitigate, to the extent possible, any material adverse risk impacts from COVID-19 selling or servicing flexibilities.
  - Partner with FHFA, the Mortgage Industry Standards Maintenance Organization (MISMO) and the Servicing Transfers Development Work Group membership, including the Consumer Financial Protection Bureau (CFPB), to further data standardization efforts.
- **Core Operations and Technology:** Increase focus on core Enterprise operational and technology management to ensure stability, resiliency, efficiency, and risk reduction.
  - Continue efforts to enhance business resiliency and recovery management capabilities to minimize the impact of disruptions and maintain business operations for mission-critical processes.
  - Continue efforts to protect the availability, security, integrity, and confidentiality of information.
  - Continue efforts to improve the efficiency and effectiveness of operations, including multi-year planning for legacy system modernization.
  - Continue efforts to establish and improve enterprise-level data management and governance capabilities.
  - Ensure that the structure and design of core operations and technology systems are reflected in Enterprise resolution planning efforts.
  - In partnership with CSS, ensure that CSS and the Common Securitization Platform (CSP) support the securitization needs of the Enterprises and operate in an efficient and safe and sound manner.

### III. Prepare for a Transition Out of Conservatorship

*The Enterprises should continue to support the development and implementation of a responsible transition plan to exit conservatorship, with appropriate readiness by the Enterprises*

- **Roadmap Toward End of Conservatorships:** Continue to provide support to FHFA as needed to develop a roadmap with milestones for exiting conservatorship, including the development of any capital restoration plans.



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- **Housing Market Reform and Alignment:** Conduct such activities as directed by FHFA related to housing market reform.
- **Efficient Utilization of Capital:** Develop and implement strategies that ensure the efficient utilization of capital targeted to support the core guaranty business with adequate returns to attract the private capital necessary to enable an exit from the conservatorships.
- **Common Securitization Platform Strategy:** Continue efforts to develop and implement, in conjunction with FHFA, a post-conservatorship strategy and governance framework for CSS/CSP.
- **Address Identified Areas in Need of Improvement:** Timely resolve supervisory findings to FHFA's satisfaction, and maintain an effective process to ensure that new findings are remediated by management in a timely fashion with appropriate board oversight.
- **Fair Lending:** Maintain a sustainable, effective process for fair lending risk assessment, monitoring, and mitigation, and work with the FHFA's Office of Fair Lending Oversight to prepare for transition to post-conservatorship fair lending supervision and oversight.

