CENTER FOR REGULATORY ANALYSIS AND ENGAGEMENT

A Project of the Main Street Foundation

M E M O R A N D U M

To:	**Hon. Bill Pulte, Director, Federal Housing Finance Agency**
From:	**Andrew Langer, President, Main Street Foundation**
Date:	**July 17, 2026**
Re:	**Comments on the Federal Housing Finance Agency Notice of Proposed Rulemaking, "Suspended Counterparty Program," Document ID FHFA-2026-0365-0001, RIN 2590-AB23, Published July 13, 2026**

Below are comments of the Main Street Foundation's Center for Regulatory Analysis and Engagement (CRAE) in response to the Federal Housing Finance Agency Notice of Proposed Rulemaking, "Suspended Counterparty Program," Document ID FHFA-2026-0365-0001, RIN 2590-AB23, published July 13, 2026.

CRAE is a project of the Main Street Foundation, a recently-formed non-profit, non-partisan 501(c)(3) research and education foundation. Our mission is to bring a disciplined, common-sense perspective to the regulatory process, one grounded in real-world experience, sound science, and rigorous economic analysis. We work to ensure that the costs, risks, and benefits of regulatory proposals are evaluated transparently and accurately, and that the voices, interests, and freedoms of Americans, particularly small businesses and working families, are meaningfully represented in regulatory debates. Above all, we focus on outcomes: regulations should address real problems, function effectively in practice, and improve conditions on the ground—not exacerbate the challenges they are intended to solve.

INTRODUCTION

The Center for Regulatory Analysis and Engagement ("CRAE"), a project of the Main Street Foundation, appreciates the opportunity to comment on the Federal Housing Finance Agency's proposed amendment to the Suspended Counterparty Program. CRAE strongly supports removing "reputational harm" from Part 1227. FHFA has a legitimate responsibility to protect Fannie Mae, Freddie Mac, and the Federal Home Loan Banks from counterparties whose misconduct presents genuine financial or operational danger. That responsibility is best discharged through standards focused on identifiable prudential risks rather than uncertain reputational effects.

Regulatory action carrying substantial governmental and commercial consequences should rest on objective, material, and measurable risks. “Reputational harm” does not provide the clarity or administrability expected of such a standard. Reputation can depend on changing public perceptions, political controversy, media coverage, or the subjective expectations of individual decision-makers. Those considerations do not supply a stable basis for regulatory action. Their inclusion creates uncertainty not only for regulated entities and their counterparties, but also for FHFA personnel, reviewing authorities, and others responsible for applying the program consistently.

The Suspended Counterparty Program is not an ordinary examination or supervisory-guidance framework. It applies to counterparties already found, through convictions or administrative sanctions, to have committed specified misconduct involving mortgages, mortgage businesses, mortgage securities, or other lending products. That context does not justify retaining an additional subjective standard. To the contrary, the existence of established misconduct makes it both possible and appropriate for FHFA to assess the concrete consequences of that conduct, including the financial exposure, operational vulnerability, or safety-and-soundness threat it creates for a regulated entity.

Covered misconduct warranting federal suspension will ordinarily create a risk of significant financial harm or otherwise threaten the safe and sound operation of a regulated entity. Fraud, embezzlement, theft, bribery, false statements, obstruction, and similar offenses can be evaluated through those established prudential standards. FHFA therefore retains ample authority to act against counterparties presenting genuine danger. “Reputational harm” adds subjectivity without filling a material enforcement gap, and its removal will require the Agency to describe the actual risk supporting a suspension rather than relying on anticipated perceptions or controversy.

More broadly, open-ended reputational standards can allow regulation to drift away from its statutory and prudential purposes. When government decisions depend on perceived reputational consequences, regulated institutions may respond defensively by excluding entire categories of counterparties, overcorrecting for political or public reactions, or devoting resources to speculative concerns rather than actual risk management. FHFA’s proposal appropriately joins a constructive movement across federal financial regulation toward supervision grounded in financial condition, legal compliance, operational resilience, and other demonstrable considerations relevant to safety and soundness.

CRAE therefore urges FHFA to finalize the proposed deletion while strengthening the clarity and durability of its implementation. The Agency should explain the evidence and causal nexus required under the remaining financial-harm and safety-and-soundness standards. It should also guard against reputational concerns being relabeled as financial, operational, legal, compliance, or governance risks without demonstrable support. Consistent documentation, internal review, staff guidance, and coordination across the Enterprises and Federal Home Loan Banks will help ensure that the amendment produces objective, disciplined, and effective counterparty-risk oversight in practice.

EXECUTIVE SUMMARY

FHFA’s proposal is a narrow but important correction to the Suspended Counterparty Program. It neither weakens the program nor excuses the serious misconduct within its scope. Instead, the proposal would remove a subjective and redundant consideration while retaining standards tied directly to significant financial harm and threats to safe and sound operation. This change will allow FHFA to continue protecting its regulated entities while requiring suspension decisions to rest on consequences that can be identified, supported, and evaluated through established prudential analysis.

CRAE strongly supports removing "reputational harm" from Part 1227. The amended rule will continue to reach fraud, embezzlement, theft, bribery, false statements, obstruction, and similar misconduct involving mortgages or other lending products. A counterparty whose conduct poses a genuine danger to Fannie Mae, Freddie Mac, or a Federal Home Loan Bank should remain subject to suspension. FHFA should, however, identify that danger in administrable prudential terms and demonstrate how the misconduct is likely to produce significant financial harm or threaten safe and sound operation.

Our comments address the following:

- **Reputational harm is inherently subjective.**
  The term lacks a stable metric and may produce inconsistent results based on anticipated public criticism, political controversy, media attention, or the perceptions of individual decision-makers.
- **The concept is redundant within this program.**
  Covered misconduct that genuinely endangers a regulated entity should satisfy the existing financial-harm or safety-and-soundness standard without reliance on a separate reputational theory.
- **Removing the term does not create a safe harbor for misconduct.**
  FHFA will retain substantial authority to suspend counterparties whose fraud, dishonesty, or related conduct presents a significant and demonstrable prudential risk.
- **The remaining standards should require an evidence-based nexus.**
  FHFA should explain how the particular misconduct, counterparty relationship, and exposure are likely to cause significant financial harm or threaten the safe and sound operation of a regulated entity.
- **Reputational considerations should not return under different labels.**
  Financial, operational, legal, compliance, and governance risks remain legitimate considerations, but each should be supported by concrete facts rather than used as a proxy for reputational disapproval.
- **Individualized analysis should govern suspension decisions.**
  FHFA should examine the particular counterparty, misconduct, business relationship, exposure, continuing risk, remediation, and available safeguards rather than relying on categorical assumptions or generalized controversy.
- **Procedural transparency will improve the program.**
  Proposed and final suspension orders should clearly identify the relevant evidence, causal connection, materiality, and reasoning supporting FHFA's determination under the remaining regulatory standards.
- **Implementation should be consistent across regulated entities.**
  Fannie Mae, Freddie Mac, and the Federal Home Loan Banks should operate under common core standards while allowing relevant institutional differences to inform the analysis where those differences materially affect risk.
- **FHFA should evaluate results after implementation.**
  The Agency should determine whether removal of the term improves clarity, consistency, and administrative efficiency without increasing financial losses or meaningful threats to safety and soundness.

CRAE urges FHFA to finalize the proposed amendment. Targeted clarification of the remaining standards, evidentiary expectations, and implementation procedures would make the reform more durable without complicating a straightforward regulatory correction. Objective standards do not weaken legitimate prudential oversight. They strengthen it by concentrating agency attention on consequential risks, improving consistency, facilitating meaningful review, and ensuring that substantial government action rests on evidence rather than uncertain assessments of reputation.

I. THE SUSPENDED COUNTERPARTY PROGRAM SERVES A LEGITIMATE PRUDENTIAL PURPOSE

FHFA has an obligation to protect its regulated entities from counterparties whose serious misconduct creates genuine institutional risk. Fraud, embezzlement, bribery, false statements, obstruction, and related offenses can expose housing-finance institutions to financial losses, operational disruption, legal liability, impaired controls, and broader consequences for the stability of the housing-finance system. CRAE does not question the need for an effective mechanism through which FHFA can identify and suspend counterparties that pose such dangers. Properly bounded, the Suspended Counterparty Program performs a legitimate and important prudential function.

The program appropriately employs a two-part framework. First, a counterparty must have engaged in defined covered misconduct, as established through a qualifying conviction or administrative sanction involving a mortgage, mortgage business, mortgage security, or other lending product. Second, the misconduct must be of a type likely to cause the harm specified by the regulation. This additional requirement prevents suspension from following automatically from every qualifying finding, regardless of its relevance, materiality, relationship to the regulated entity, or continuing prudential significance.

That limitation matters because an FHFA suspension order can effectively exclude a person or institution from important portions of the national housing-finance system. Such consequences may affect existing relationships, future opportunities, regulated entities, and markets extending beyond the immediate proceeding. A power of this significance should be governed by a standard that is clear, predictable, consistently administrable, and susceptible to meaningful internal and external review. When government restricts participation on prudential grounds, it should be able to identify the concrete interest it is protecting and the evidence connecting the counterparty's misconduct to that interest.

II. REPUTATIONAL HARM IS TOO SUBJECTIVE TO SERVE AS AN INDEPENDENT STANDARD

"Reputational harm" has no stable financial definition or consistently measurable boundary. Its application may depend on changing public opinion, media attention, political controversy, advocacy campaigns, or the expectations of individual agency and regulated-entity decision-makers. Those influences can shift rapidly and may reflect considerations unrelated to a counterparty's financial reliability or the safety and soundness of a regulated entity. Because anticipated reactions cannot be translated readily into a consistent regulatory test, reputation is poorly suited to serve as an independent basis for a consequential government suspension.

This uncertainty also creates problems of predictability and fair notice. Counterparties and regulated entities cannot reliably determine what type, duration, or intensity of controversy FHFA might regard as sufficiently harmful. Faced with that ambiguity, regulated entities may report defensively or avoid relationships that present no material prudential danger, while comparable circumstances may be treated differently elsewhere. A standard carrying significant legal and commercial consequences should provide affected parties with a reasonable understanding of what must be shown and enable them to organize their conduct and responses around ascertainable requirements.

Subjectivity likewise threatens administrative consistency. Different FHFA personnel, Enterprises, or Federal Home Loan Banks may reach different conclusions about materially identical conduct based on their respective perceptions of public reaction. Such variability increases the likelihood that similarly situated parties will receive uneven treatment. It also complicates internal review, reconsideration by the FHFA Director, and any subsequent judicial review. Without a clear metric, reviewing authorities may struggle to distinguish a supported determination from an impressionistic judgment or to determine whether the regulatory standard has been applied consistently.

Finally, reputational analysis can divert FHFA and regulated-entity resources toward speculation about how others might perceive a counterparty relationship. Prudential oversight should instead concentrate on expected losses, financial exposure, operational resilience, legal obligations, control deficiencies, counterparty reliability, and threats to safe and sound operation. Those considerations permit evidence-based analysis and targeted mitigation. Removing reputational harm from the rule should improve administrative efficiency and analytical discipline by directing attention toward risks that FHFA can identify, evaluate, and address through its established supervisory and regulatory responsibilities.

III. REPUTATIONAL HARM IS REDUNDANT IN THE SCP'S EXISTING FRAMEWORK

The offenses encompassed by "covered misconduct" are serious and ordinarily present risks that can be described in concrete prudential terms. Fraud, embezzlement, theft, conversion, forgery, bribery, perjury, false statements or claims, tax evasion, and obstruction of justice may call into question a counterparty's reliability, financial integrity, internal controls, and compliance with law. When such misconduct bears materially on a relationship with a regulated entity, FHFA can evaluate the resulting exposure directly. The Agency does not need an independent reputational theory to address conduct already capable of producing identifiable harm.

The rule's financial-harm prong provides a sufficiently direct basis for action when a regulated entity's money or assets are genuinely endangered. Significant expected losses, heightened default exposure, remediation expenses, additional transaction costs, litigation exposure, impaired collateral, and diminution in asset value can all be evaluated as forms of financial harm. FHFA should support such determinations with relevant evidence and reasonable projections concerning likelihood and magnitude rather than generalized expressions of concern. This approach permits preventive action while ensuring that suspension rests on an economically meaningful risk.

The safety-and-soundness prong likewise reaches dangers that may not be captured fully by an immediate estimate of financial loss. Operational disruption, deficient controls, unreliable performance, concentration exposure, compromised data or processes, and similar prudential weaknesses can threaten the safe and sound operation of a regulated entity. This standard permits FHFA to act before a threatened loss or institutional failure becomes final, provided the identified danger is concrete and adequately supported. It therefore preserves the Agency's forward-looking and preventive role without requiring speculation about reputational consequences.

FHFA has reasonably concluded that covered misconduct serious enough to warrant a government suspension should satisfy at least one of these remaining standards. If misconduct is unlikely to cause significant financial harm and does not otherwise threaten safe and sound operation, reputational discomfort alone should not justify exclusion under the SCP. A regulated entity may consider association, customer expectations, or public reaction in exercising its independent business judgment, subject to applicable law. Those considerations, however, should not independently determine whether the federal government suspends a counterparty throughout significant portions of the housing-finance system.

IV. REMOVING REPUTATIONAL HARM WILL NOT WEAKEN SAFETY AND SOUNDNESS

Broader regulatory language does not necessarily produce stronger or more effective supervision. Vague standards can dilute attention, encourage inconsistent decisions, and weaken the credibility of agency action by obscuring the concrete reason intervention is necessary. They may also divert personnel and resources from risks that pose demonstrable threats to regulated entities. Concentrating the SCP on significant financial harm and safe and sound operation will make FHFA's decisions more analytically rigorous, more consistently administrable, and more defensible to affected parties, reviewing authorities, and the public.

FHFA will retain the essential authorities and procedures of the Suspended Counterparty Program. The rule will continue to require defined covered misconduct and permit suspension when that misconduct is likely to cause significant financial harm or otherwise threaten safe and sound operation. Regulated entities will remain subject to reporting requirements, and FHFA may continue issuing proposed and final suspension orders. Affected counterparties and regulated entities will retain opportunities to respond, and the Director will retain authority to reconsider or review final determinations. The proposal modifies one component of the risk standard; it does not dismantle the program.

Regulated entities will also remain free—and obligated—to evaluate the credit, legal, operational, fraud, compliance, and other material risks presented by their counterparties. Removing reputational harm should encourage them to identify concerns through the risk actually presented rather than relying on a generalized label. More precise categorization can improve both supervision and institutional risk management by allowing FHFA and regulated entities to select mitigations, monitoring, exposure limits, contractual protections, or suspension according to the particular danger involved. Analytical precision should therefore strengthen, rather than compromise, safety and soundness.

V. FHFA SHOULD REQUIRE A DEMONSTRABLE NEXUS UNDER THE REMAINING STANDARDS

Removal of reputational harm should be accompanied by a clear requirement that FHFA articulate the causal connection supporting any suspension. A proposed or final order should explain how the covered misconduct is likely to cause significant financial harm or otherwise threaten the safe and sound operation of a regulated entity. Mere repetition of the regulatory standard should not suffice. The written record should connect the particular misconduct, the nature of the counterparty relationship, and the identified prudential consequence through evidence and reasoned analysis.

Relevant considerations may include the nature and seriousness of the misconduct; its recency and duration; its relationship to mortgages, lending, or the contemplated business activity; and the regulated entity's financial exposure. FHFA should also consider evidence of recurrence or continuing deficiencies, remediation, changes in management or controls, and available contractual or supervisory safeguards. Counterparty concentration, substitutability, and the likelihood and magnitude of projected harm may further inform whether the misconduct presents a continuing risk sufficient to justify suspension.

Materiality should perform a meaningful limiting function within this analysis. Trivial, remote, speculative, or merely conceivable effects should not satisfy a standard requiring harm that is both "likely" and "significant." FHFA need not wait until a regulated entity experiences an actual loss or operational disruption before acting. Preventive oversight is an essential part of prudential regulation. The Agency should, however, identify a reasonable evidentiary basis for predicting the harm and explain why the expected consequence meets the rule's likelihood and significance requirements.

FHFA should also consider whether complete suspension is proportionate to the risk presented. Where lawful and practicable, enhanced monitoring, contractual protections, exposure limits, remediation requirements, temporary conditions, or other narrower measures may sometimes address the identified concern. Proportionality should not prevent immediate suspension when the seriousness of the misconduct, likelihood of recurrence, magnitude of exposure, or inadequacy of available safeguards warrants decisive action. It should instead help FHFA select a response calibrated to the demonstrated risk rather than applying exclusion more broadly than necessary.

Accordingly, proposed and final orders should identify the covered misconduct, the remaining regulatory prong invoked, and the evidence supporting FHFA's determination. They should explain the causal nexus, the materiality of the expected consequence, and the Agency's consideration of relevant responses submitted by the counterparty or regulated entities. Where narrower mitigation is feasible but deemed inadequate, the order should briefly state why. These elements would promote consistency, facilitate meaningful reconsideration and review, and strengthen confidence that suspension decisions rest on demonstrated prudential necessity.

VI. FHFA SHOULD PREVENT REPUTATIONAL RISK FROM REAPPEARING UNDER OTHER LABELS

Deleting "reputational harm" from Part 1227 is important, but the amendment should produce an actual change in decisional practice rather than a merely semantic revision. The reform would be undermined if the same concerns could support suspension simply by being recharacterized as another form of risk without additional analysis or evidence. FHFA should therefore evaluate determinations according to their substance rather than the terminology used. Whatever label appears in an order, the Agency should require a demonstrable connection to significant financial harm or safe and sound operation.

Operational, legal, compliance, governance, and financial risks remain legitimate subjects of prudential analysis. FHFA should not disregard such risks merely because the underlying event also attracts media coverage, political controversy, or public criticism. A widely criticized counterparty may still present concrete legal liability, control failures, financial exposure, or operational danger. The relevant question is whether the stated risk exists independently of reputational disapproval and can be demonstrated through facts bearing on the regulated entity's condition, operations, obligations, or counterparty relationship.

FHFA should therefore avoid assumptions that controversy automatically creates operational risk, adverse publicity necessarily produces significant financial harm, political objections establish legal or compliance exposure, or association with disfavored conduct inherently threatens safe and sound operation. Any of those consequences may arise in particular circumstances, but none should be presumed. The Agency should identify evidence connecting the underlying misconduct to the stated prudential category and assess the expected likelihood and materiality of the result. This discipline will distinguish legitimate risk analysis from reputational judgment operating through a proxy.

Effective implementation will require corresponding changes to FHFA's internal and regulated-entity materials. The Agency should review and update relevant guidance, procedures, templates, staff instructions, reporting materials, and order formats to reflect the amended standard. Personnel responsible for receiving reports, evaluating misconduct, and preparing suspension decisions should be trained on both the removal of reputational harm and the evidentiary requirements governing the remaining prongs. During initial implementation, centralized review or another quality-control process could help identify inconsistent approaches and promote uniform application across FHFA and its regulated entities.

VII. THE FINAL RULE SHOULD PRESERVE INDIVIDUALIZED EVALUATION AND PROCEDURAL FAIRNESS

Suspension should not rest solely on the general category of an offense, the identity of an industry, or assumptions about similarly situated parties. FHFA should examine the actual counterparty, the nature and circumstances of its misconduct, the contemplated or existing business relationship, the regulated entity's exposure, and the risk presented at the time of decision. Similar offenses may carry materially different prudential implications depending on their recency, scale, connection to the relevant activity, likelihood of recurrence, and the counterparty's subsequent conduct.

The program should continue to provide meaningful opportunities for the affected counterparty and regulated entities to respond to a proposed suspension. Those parties should be able to contest the asserted causal nexus, the likelihood and materiality of the projected harm, the existence of continuing risk, and the adequacy of proposed mitigation. Procedural fairness requires more than receipt of a written submission. FHFA should consider responsive evidence in good faith and address material arguments that bear directly on whether the remaining financial-harm or safety-and-soundness standard has been satisfied.

CRAE also supports removing reputational language from the rule's reconsideration provisions. In evaluating whether a suspension should continue, FHFA should consider remediation, elapsed time, restitution, improvements to internal controls, changes in ownership or management, and other material developments affecting present risk. Past misconduct may remain highly relevant, but the program's prudential purpose is to protect regulated entities from current or reasonably anticipated danger. A suspension should not persist solely because of its historical basis after the conditions supporting the prudential determination have materially changed.

Finally, FHFA should apply common core evidentiary, materiality, and procedural standards across Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Relevant differences among the Enterprises and Banks may properly affect the analysis where their structures, missions, exposures, or operations create different institutional risks. Those differences should be identified and explained rather than assumed. A transparent approach will allow FHFA to respect meaningful distinctions while ensuring that similar counterparties and misconduct receive consistent treatment when the relevant prudential facts are materially alike.

VIII. FHFA SHOULD REVIEW THE BROADER USE OF REPUTATIONAL CONCEPTS

FHFA should examine whether reputational risk, reputational harm, or equivalent concepts appear elsewhere in its supervisory guidance, examination materials, advisory bulletins, reporting instructions, decision templates, or informal practices. Not every reference is necessarily improper, and the appropriate treatment may depend on the governing statute and regulatory context. FHFA should nevertheless determine whether each use is legally authorized, operationally necessary, sufficiently defined, and tied to a measurable prudential concern. This review would help prevent inconsistent policies from undermining the principles reflected in the proposed amendment.

Similar reforms by other federal financial regulators make interagency coordination particularly valuable. FHFA should consult with those agencies regarding terminology, implementation experience, evidentiary expectations, and core principles governing the treatment of reputational concepts. Financial institutions and counterparties often operate across overlapping regulatory jurisdictions, and materially inconsistent approaches can create uncertainty, duplicative compliance obligations, and incentives for defensive decision-making. Coordination can promote greater predictability while reducing the possibility that substantially similar conduct will receive incompatible treatment solely because different regulators oversee different portions of the relationship.

Coordination should not, however, become automatic adoption of rules designed for traditional banking agencies. FHFA must account for the distinct housing-finance missions, statutory authorities, institutional structures, and risk profiles of Fannie Mae, Freddie Mac, and the Federal

Home Loan Banks. Principles such as objective risk assessment, materiality, evidentiary support, and procedural fairness are broadly applicable, but their implementation should reflect FHFA's governing laws and the functions of its regulated entities. Any interagency approach should therefore be adapted transparently rather than imported without an independent FHFA analysis.

IX. FHFA SHOULD MEASURE THE EFFECTS OF THE REFORM

FHFA should establish a defined review after an appropriate implementation period to determine whether the amendment is achieving its intended purposes. The evaluation should examine whether removing reputational harm improves clarity, consistency, analytical discipline, and administrative efficiency while preserving effective protection against counterparty risk. A prospective commitment to review would help FHFA identify implementation problems, determine whether additional guidance is necessary, and demonstrate that the Agency is evaluating the reform according to observable results rather than assuming that the textual amendment alone will produce the desired change.

Relevant measures could include the number of reports submitted by regulated entities; proposed and final suspensions; regulatory grounds relied upon; processing times; and requests for reconsideration and their outcomes. FHFA could also examine losses or operational events involving covered counterparties, material differences among regulated entities, and evidence of inconsistent application. The review should assess whether financial, operational, legal, compliance, governance, or other risk labels have functionally replaced reputational harm without corresponding evidence. Where practicable, FHFA should compare these results with experience before the amendment.

Raw activity counts should not become substitutes for substantive evaluation. A decline in reports or suspensions would not, by itself, demonstrate either that the reform succeeded or that counterparty protection weakened. Likewise, unchanged enforcement volume would reveal little about the quality of the underlying decisions. FHFA should focus on whether determinations are better supported, more consistently applied, resolved more efficiently, and more closely connected to actual financial or safety-and-soundness risks. The proper measure of success is improved regulatory performance and prudential outcomes, not the volume of agency activity.

CONCLUSION

CRAE appreciates FHFA's willingness to reconsider the role of reputational harm within the Suspended Counterparty Program. The Agency has identified a narrow but consequential opportunity to improve the rule, and CRAE strongly supports the proposed deletion. Housing-finance institutions must remain protected from counterparties whose serious misconduct creates genuine financial, operational, or institutional danger. Removing an uncertain reputational standard will not compromise that responsibility. It will help ensure that FHFA exercises its authority according to the concrete risks the program was established to address.

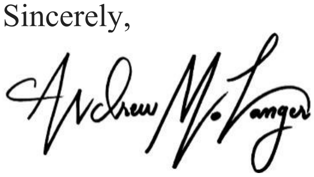
Substantial government consequences should rest on clear, predictable, and administrable standards. Reputational harm introduces unnecessary subjectivity because its application may depend on changing public perceptions, political controversy, media attention, or individual expectations. Those considerations do not provide a stable basis for excluding a counterparty from significant portions of the housing-finance system. Material and measurable risk analysis offers a sounder approach. It directs FHFA toward evidence, causal relationships, expected consequences, and prudential interests capable of consistent application and meaningful review.

Nothing in the proposal excuses fraud, embezzlement, theft, bribery, false statements, obstruction, or any other covered misconduct. FHFA will continue to possess powerful authority when such conduct is likely to cause significant financial harm or otherwise threaten safe and sound operation. Those standards encompass both realized and reasonably anticipated dangers, permitting the Agency to act preventively where the evidence warrants intervention. Legitimate concerns should therefore be described through the financial, operational, legal, or institutional harm they actually present rather than through a generalized assessment of reputation.

Effective implementation should reinforce the amendment's underlying principles. FHFA should require a demonstrable nexus between covered misconduct and the remaining regulatory standards, apply meaningful materiality, preserve individualized evaluation, and provide written explanations sufficient for reconsideration and review. The Agency should also prevent reputational considerations from returning through unsupported proxy terminology. Consistent staff guidance, training, quality control, and appropriate interagency coordination will promote durable implementation. A broader review of FHFA guidance, examination materials, reporting instructions, and informal practices would further ensure regulatory consistency.

For these reasons, CRAE urges FHFA to finalize the proposed amendment promptly and provide targeted clarification regarding its application. After an appropriate implementation period, the Agency should evaluate whether the reform has improved clarity, consistency, efficiency, and decision quality while preserving effective counterparty protection. Disciplined and objective supervision is not weaker supervision. By directing governmental authority toward demonstrable prudential risks, FHFA can better protect its regulated entities, provide fair treatment to affected parties, and reinforce the integrity and stability of the national housing-finance system.

Sincerely,



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