



2020 SCORECARD FOR FANNIE MAE, FREDDIE MAC, AND COMMON SECURITIZATION SOLUTIONS

October 2019



NEW SCORECARD FOR FANNIE MAE, FREDDIE MAC, AND COMMON SECURITIZATION SOLUTIONS

The purpose of the new 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. As a result, the 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

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



For all Scorecard items, 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 the Conservatorship Capital Framework (CCF);
- 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.
- **Credit Score Final Rule Implementation:** Implement the final Credit Score Rule with adherence to the regulation's requirements in a timely and effective manner.
- **Key On-going Initiatives:** Successfully continue to implement key on-going initiatives.
 - **Multifamily Caps** – manage to new multifamily cap requirements announced September 13, 2019
 - **LIBOR Transition** – prepare for an effective transition from LIBOR to approved alternative reference rates.
 - **Limited English Proficiency (LEP)** – continue to support the needs of lenders and other market participants serving borrowers with limited English proficiency through continued progress on multi-year language access plans.
 - **Uniform Residential Loan Application (URLA)** – fully implement new URLA.
- **Level Playing Field Standards and Increased Transparency:**
 - Support strategies that enhance a level playing field for a wide range of mortgage market participants.
 - Provide any requested assistance toward the development of a new Qualified Mortgage (QM) standard by the Consumer Financial Protection Bureau.
 - Assess additional data that could be made publicly available to enhance 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 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.



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:** Review Enterprise risk profiles across all business activities and reduce risk and complexity to levels more appropriate for conservatorship status and limited capital cushions.
- **Risk Transfer:** Continue to transfer a significant amount of credit risk to private markets in a commercially reasonable and safe and sound manner.
 - Undertake actions to meet single-family and multifamily credit risk transfer objectives established by FHFA.
 - Actively pursue legacy asset risk transfer activities, including sales of non-performing loans (NPL) and re-performing loans (RPL).
 - Under FHFA direction, undertake a comprehensive review of the credit risk transfer (CRT) program, including a cost-benefit analysis.
- **Conservatorship Capital Framework (CCF):** Develop and implement business management and capital planning capabilities to fully operationalize the CCF requirements.
- **Mortgage Servicing:** Continue mortgage servicing and asset management efforts that promote stability and readiness for more challenging market conditions.
 - Implement Servicer Eligibility Requirements 2.0
 - Assess readiness of servicers and servicing policies and processes for an economically-stressed environment.
- **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 at pre-defined levels.
 - Continue efforts to protect the availability, integrity, and confidentiality of information.
 - Continue efforts to improve the efficiency and effectiveness of operations, including legacy system modernization where necessary.
 - Prudently oversee CSS and the Common Securitization Platform (CSP) to ensure that they 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 support the development and implementation of a responsible transition plan to exit conservatorship, with appropriate readiness by the Enterprises

- **Roadmap Toward End of Conservatorships:** Provide support to FHFA as needed to develop a roadmap with milestones for exiting conservatorship.
- **Treasury and HUD Reform Plan Coordination and Alignment:** Conduct such activities as directed by FHFA arising from recommendations in the Treasury and HUD Reform Plans.
- **Efficient Utilization of Capital:** Develop and implement FHFA-approved 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:** Develop a post-conservatorship strategy and governance framework for CSS/CSP, including an assessment of any additional capabilities beneficial for the CSS/CSP to perform, to support a competitive mortgage market.
- **Address Identified Areas in Need of Improvement:** Maintain an effective process to ensure that internal audit and supervisory 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.

