

Fannie and Freddie Told to Write Their Wills

By: Jann Swanson | Tue, May 4 2021, 4:56 PM

The GSEs Fannie Mae and Freddie Mac have been given orders to develop so-called living wills. Such wills are **credible resolution plans** that outline how either GSE could be rapidly and orderly resolved should the Federal Housing Finance Agency (FHFA) be appointed their receiver in the event of another financial crisis. The mandate is in the form of a final rule issued by FHFA on Monday.

The rule is **similar** to those issued by the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) under which many large financial institutes are required to submit such wills. Both the Department of the Treasury and the Financial Stability Oversight Council have endorsed living rules for the GSEs.

FHFA Director Mark Calabria said, "After the capital rule, [promulgated by FHFA in November 2020] the finalization of the living will rule is **one of the last major regulatory pieces** needed to give effect to Congress' intent in HERA [the Housing and Economic Recovery Act of 2008]. Just like other large financial institutions, these plans will provide Fannie Mae, Freddie Mac and FHFA with a roadmap for preserving business continuity should they fail again. This rule helps create a stronger, more resilient housing finance system by protecting taxpayers and the mortgage market from harm if either GSE fails."

Under the final rule, the GSEs must demonstrate how core or important business lines **would be maintained to ensure continued support for mortgage finance** and stabilize the housing finance system, without extraordinary government support, to prevent a GSE from being placed in receivership, indemnify investors against losses, or fund the resolution of either company.

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