



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

B-330839

March 19, 2019

The Honorable Mike Crapo  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Federal Housing Finance Agency: Uniform Mortgage-Backed Security*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Federal Housing Finance Agency (FHFA) entitled “Uniform Mortgage-Backed Security” (RIN: 2590-AA94). We received the rule on March 1, 2019. It was received by the Senate on March 1, 2019. The *Congressional Record* does not reflect when it was received by the House of Representatives. It was published in the *Federal Register* as a final rule on March 5, 2019. 84 Fed. Reg. 7793. The effective date of the final rule is May 6, 2019.

According to FHFA, the final rule improves the liquidity of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises) To-Be-Announced (TBA) eligible mortgage-backed securities (MBS) by requiring the Enterprises to maintain policies that promote aligned investor cash flows for both current TBA-eligible MBS, and, upon its implementation, for the Uniform Mortgage-Backed Security (UMBS)—a common, fungible MBS that will be eligible for trading in the TBA market for fixed-rate mortgage loans backed by one-to-four unit (single-family) properties. The final rule codifies alignment requirements that FHFA implemented under the Fannie Mae and Freddie Mac conservatorships. FHFA maintains that the rule is integral to the successful transition to and ongoing fungibility of UMBS. FHFA has announced that the Enterprises will begin issuing UMBS in place of their current TBA-eligible securities on June 3, 2019.

Enclosed is our assessment of FHFA's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact me at (202) 512-8156.

signed

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
FEDERAL HOUSING FINANCE AGENCY  
ENTITLED  
“UNIFORM MORTGAGE-BACKED SECURITY”  
(RIN: 2590-AA94)

(i) Cost-benefit analysis

The Federal Housing Finance Agency (FHFA) did not discuss the costs and benefits of the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

FHFA determined that the final rule will not have a significant impact on a substantial number of small entities because the regulation applies only to the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), which are not small entities for purposes of RFA.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent agency, FHFA is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551<sup>et seq.</sup>

On September 17, 2018, FHFA published in the *Federal Register* a notice of proposed rulemaking and requested public comment. 83 Fed. Reg. 46,889. FHFA received 12 comment letters in response. In some instances, FHFA accepted commenter recommendations in the final rule. The final rule contained a summary of those comments and FHFA's responses.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

FHFA reviewed the final rule and determined that it does not contain any new, or revise any existing, collections of information.

Statutory authorization for the rule

FHFA stated that it had statutory authority to promulgate this rule under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, the Fannie Mae Charter Act, and the Freddie Mac Corporation Act.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent agency, FHFA is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent agency, FHFA is not subject to the Order.