

National Mortgage News

Calabria's ouster at FHFA sets stage for Biden to remake housing policy

By [Hannah Lang](#)

June 23, 2021, 4:45 p.m. EDT

4 Min Read

WASHINGTON—As the Biden administration grapples with soaring home prices and declining rates of minority homeownership, the Supreme Court handed it a lifeline: the ability to fire Federal Housing Finance Agency Director Mark Calabria.

President Biden [exercised that newfound power](#) Wednesday, the same day the high court ruled that the leadership structure of the agency [was unconstitutional](#), and that the president has the authority to fire the FHFA director at will.

Shortly after 2 p.m. Eastern, Calabria confirmed in an email to FHFA staff that Biden had removed him. Calabria called his two years as director “an honor of a lifetime,” and he praised the FHFA’s response to the coronavirus pandemic, saying the agency had “provide[d] some of the earliest financial support to borrowers and renters.”



The Biden administration will move forward to appoint a new FHFA director "who reflects the administration's values," a White House official said Wednesday. Bloomberg

The vacancy will enable the administration to install someone of its own choosing to regulate Fannie Mae and Freddie Mac. Calabria's successor will likely put his goals to free the government-sponsored enterprises from conservatorship on ice.

Calabria "has very distinct and different perspectives on housing policies than the people in this administration," said Jeffrey Naimon, a partner at Buckley LLP. "We have seen from the outset of the administration, even back to the first week, the administration was talking about housing issues as being central, and in particular, racial equity in housing."

A White House official on background confirmed on Wednesday that the Biden administration [would move forward Wednesday](#) "to replace the current director with an appointee who reflects the administration's values."

Calabria, a libertarian economist appointed by then-President Donald Trump, took the helm of the FHFA in April 2019 and made clear his goal from the start of putting the GSEs on a path out of conservatorship, at one point predicting that Fannie and Freddie would [be fully privatized](#) by 2024.

That milestone is likely now even further off, said Bose George, an analyst with Keefe, Bruyette & Woods. Fannie and Freddie have been in government conservatorship since 2008.

The Supreme Court ruling "is going to have an impact both on what it means for GSE reform, which looks like it's now essentially on hold indefinitely, and also broadly for the housing market," he said.

Although many within the mortgage industry were initially favorable of Calabria's views toward conservatorship and his efforts to develop a plan to return Fannie Mae and Freddie Mac to private hands, some of his initial supporters turned against him as time wore on.

Frustrations emerged in particular over the last year, said Robert Broeksmit, president and CEO of the Mortgage Bankers Association.

"MBA had well-documented policy and procedural differences with Director Calabria and very much looks forward to working collaboratively — *underscore italics, underline bold* — with President Biden's appointee," he said.

In particular, Calabria irked lenders and affordable housing advocates alike when his agency announced last August it would begin [imposing an "adverse market fee"](#) on most refinanced mortgages due to the economic uncertainty surrounding the coronavirus pandemic. That decision triggered an instant backlash, so much so that the agency was forced to postpone the effective date of the fee.

Calabria again came under fire after he and former Treasury Secretary Steven Mnuchin in the waning days of the Trump administration agreed to reforms to the government's oversight of the GSEs that ultimately allowed the companies to retain more of their earnings.

But the changes to the so-called preferred stock purchase agreements accompanied [other restrictions on the GSEs](#), which many argued would box out some borrowers and make financing more expensive, particularly for families of color.

Now with Calabria out at the FHFA, all of those policy changes could soon be revisited.

"I think it opens up a lot of these issues that could get addressed again," said George.

Whomever the administration selects will likely prioritize affordable housing and access to homeownership instead of the safety and soundness of Fannie and Freddie, said David Dworkin, president and CEO of the National Housing Conference.

"I think part of the problem with Mark Calabria's leadership was that he was solving for 10-year-old problems rather than the problems that we have right now, and he had a singular focus on recapitalizing and getting out of conservatorship as fast as possible, at the expense of everything else," he said.

Both Dworkin and Broeksmit said they were excited to see how a Biden-appointed FHFA director might approach affordability.

"We have a lot of ideas there and a lot of initiatives on affordable housing that we look forward to working with FHFA on because Fannie and Freddie play a key role, of course, in the financing and we think that there's a lot more that we can do there," said Broeksmit.

With "direct control over FHFA," said Naimon, the Biden administration can have enormous influence on housing writ large.

"They're a very powerful policy tool that the White House can start to consider how it wants to use," he said.

[Hannah Lang](#)

Reporter, American Banker