

Figure 2: Election Outcome: Where do the parties stand on the topics?

Topic	Current Status	Democrats	Republicans	Administration
Future Structure of GSEs	FNM and FRE put into conservatorship under the FHFA on Sept 2008. Currently a 3-tier system: (1) GNMA for Veterans and low-income borrowers, (2) GSEs providing capital to mortgage lending (3) private lending	Support continued government role but need to define future role for government involvement. Support continued conservatorship throughout the process of creating a new housing finance framework: GSE debt and MBS would remain supported by the government even in a wind-down situation	Privatize as much as possible: abolish GSEs, shrink GNMA role. Would support a plan to conclude conservatorship over the next several years.	Required by Dodd-Frank to release proposal on the future housing finance market by the end of Jan 2011; likely to support a government role
Treasury Support of GSEs	Treasury Preferred Stock Purchase Agreements (PSPAs) provide unlimited support through 2012. Following unlimited support, the available draws revert back to the remaining capacity on the 12/09 amendment of \$274 bn combined.	Although not yet discussed, we could imagine support for a reduction in the 10% preferred stock dividend paid to Treasury or excluding the preferred dividend payments to the U.S. Treasury from the PSPA limits. Could also delay the implementation of fees required to pay the UST per the PSPAs.	Do not have authority to amend the PSPAs without support of Treasury FHFA, and GSEs, therefore no change.	Wouldn't allow any reduction of support of GSE's over concern of disrupting housing market.
GSE Retained Portfolios	\$810 billion limit for each by end of 2010 from \$900 billion limit EOY 2009, declining by 10% per year	Likely to have no impact	Could set limit to decrease by 10% of year-end portfolio size, resulting in a more rapid decrease in the portfolios.	Unlikely to support faster reduction of portfolios
GSE Debt	No explicit backing, but is supported through the Treasury PSPAs. Debt outstanding is decreasing in line with retained portfolios.	Likely to have no impact	Likely to have no impact	Administration crafted the PSPAs which reinforce Treasury support, decrease the retained portfolios, therefore decreasing Agency Debt Outstanding. Likely to stand behind GSE debt regardless of the GSE reform outcome.
MBS GSE Guaranty	GSEs unconditional guaranty of Agency MBS, linked to Treasury support of the GSEs	Likely to support an explicit guaranty of Agency MBS, similar to GNMA	Likely to support eventual wind-down of government support of the housing market through the GSEs	Would like to explicitly guaranty Agency MBS but concerned over optical impact on balance sheet and how it relates to funding of the Treasury
GNMA/HUD/VA	Full-faith and credit of the U.S. Government	Support for expanded role through GNMA	Support status quo only	Could possibly support for expanded role of GNMA in the future of housing finance
Conforming Loan Limits in High Cost Areas	\$729,750 extended through Sep 2011	Likely to support extending higher loan limits depending on the pace of the housing market recovery	Likely to allow high cost limit to revert to \$625,500 and eventually to reduce to normal conforming limit (currently \$417,000)	Bi-partisan support for current high-cost area loan limits but in a Republican-controlled Congress, the reversion to \$625,500 could be supported by the administration, depending on the state of the housing market and to the extent private lending revives
High LTV Refinances by GSEs	HARP allows refinances of responsible borrowers up to 125% LTV, expires June 30, 2011	Likely to support extension of date and expansion of eligibility	Do not support extension or expansion of HARP	Administration likely to support expanding its HARP program
Government Modification Programs	HAMP, FHA Short Refinance, etc. allows loan modifications and principal reductions	Overall support of modification programs including principal forgiveness, cramdowns	Support winding down existing programs; do not support principal forgiveness or cramdowns	Does not support mandatory principal forgiveness due to moral hazard and other issues
Universal Low Rate Mortgage	Does not exist	Very weak support of government-backed low rate loans	Absolutely do not support non-credit-based loans	Very unlikely to support universal low rate mortgage; support improved underwriting standards

Source: RBS