



The Daily Dish

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DOUGLAS HOLTZ-EAKIN | MAY 26, 2015

The EPA is poised to issue one of their widest reaching regulations in the Obama era. The Waters of the United States rule would seek to broaden the definition of navigable water in order to give the administration more control over tributaries and wetlands. Proposed last year, [RegRodeo.com](#) finds the rule will have \$166.4 million in costs. However, farmers and others fear that worse than the cost will be the new power of the EPA to go after businesses using vague terms like “significant nexus.” We will just have to wait and see the final rule to find out if the EPA addressed these serious concerns.

The Obama administration is rejecting Congressional overtures to set up energy pipeline corridors in order to speed up the approval process. The bill calls for the establishment of 10 preapproved swaths of land on which pipelines could be built. The bipartisan bill is facing opposition from the Bureau of Land Management. According to one of the authors, Rep. Tom MacArthur, “I think we need to make use of our God-given natural resources, and we need to do it in an environmentally-sound way.”

Eakinomics: Recent Developments in Housing Policy

The housing bubble and crash were at the heart of the financial crisis and Great Recession. Logic would have dictated that large reforms to the flawed system of housing finance — notably the large government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac— would have followed. Politics and logic, however, live on separate planets so that is not what has transpired. The Dodd-Frank legislation did make important changes to mortgage underwriting. It developed standards for a Qualified Mortgage (QM) and a Qualified Residential Mortgage (QRM). Mortgages that conform to QM provide the lender with some protection against liability, while securities that are composed entirely of QRM may be issued without requiring the original lender to retain a fraction of the risk of default. These rules have been the source of some [concern](#) regarding their impact on a housing market that continues to [struggle](#).

However, major reforms to the system of housing finance and reform of the GSEs have failed to clear either the House or the Senate. Instead, housing finance is being driven by administrative [actions](#) at the Federal Housing Finance Agency (FHFA), sometimes using [Fannie Mae](#) and Freddie Mac as the [vehicle](#). In the end, this is no substitute for bipartisan legislation that reforms the GSEs and efforts should be made to achieve — or at least not impede — such reforms.

Senate Banking Chairman Richard Shelby followed this strategy in his “[Financial Regulatory Improvement Act of 2015](#).” The bill, which passed out of the Banking Committee, undertakes minor reforms that do not interfere with the overall objective. To begin, the bill would prohibit using increases in guarantee fees charged by Fannie Mae and Freddie Mac to pay for spending or revenue cuts that are not part of either enterprise business functions or housing finance reform. In short, the GSEs cannot be kept around as a piggy bank for Congress.

Second it prohibits the sale of preferred stock in Fannie Mae or Freddie Mac by the U.S. Treasury unless it is directed to do so by Congress. This ensures that legislation, not administrative action, determines the future the GSEs. Finally, it pushes the GSEs to undertake additional risk sharing — which must rise by 50 percent per year

— some of which must be “front-loaded.” This is focused on pushing FHFA and the GSEs to more creatively use private capital as the backstop for mortgages; not the taxpayer.

Comprehensive housing reform remains an unfulfilled quest. But sensible steps can be taken along the path.

From the Forum

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy