Insight

Review of the President's Plans for Housing and Finance in FY 2018

MEGHAN MILLOY | MAY 24, 2017

President Trump released his first budget this year, and it's about what you would expect from a populist president with an "America First" agenda: tax cuts for high income earners, increased defense spending, and huge reductions in funding for many social aid programs. Overall, the president requested Treasury's gross budget authority be reduced by 4.1 percent from $12.6 billion to $12.1 billion, and HUD's by 13.2 percent from $46.9 billion to $40.7 billion. Here are some highlights:

Policy Changes in Trump's FY2018 Budget (Revenue Raised Over 10 Years)	
Reform retirement benefits for Federal employees	+ $63 billion
Reform financial regulation and prevent taxpayer-funded bailouts	+ $35 billion
Restructure the Consumer Financial Protection Bureau	+ $6.833 billion
Revive Ex-Im Bank to Full Capacity	+ $5 billion
Eliminate allocations to the Housing Trust Fund and Capital Magnet Fund	+ $2.846 billion
Authorize the Bureau of Engraving and Printing to construct new facility	+ $708 million
Eliminate the SEC Reserve Fund	+ $450 million
Source: President's FY 2018 Budget	

Revenue from Fannie Mae and Freddie Mac

Perhaps the most significant revenue raiser in President Trump's budget proposal is the projected $142.4 billion in revenue from Fannie Mae and Freddie Mac (the GSEs) over the next ten years. At the same time, he plans to cut funding for the Department of Housing and Urban Development (HUD) by $6.2 billion, totally eliminate the Housing Trust Fund and Capital Magnet Fund, and increase Ginnie Mae's guarantee authority by $500 billion. With housing finance reform being a top priority for Congress, it's unlikely that all of these numbers hold, but the optimistic outlook for GSE revenue is promising.

Deficit Reduction by Way of Financial Reform

President Trump's budget is optimistic that some sort of sweeping financial regulatory reform will be passed and implemented by 2018. It predicts that restructuring the Consumer Financial Protection Bureau (CFPB) will save taxpayers $6.8 billion over the next 10 years – likely a result of cutting staff, reducing its policing authority, putting it under Congressional appropriations, and changing the single director structure. The budget also predicts savings from the elimination of the SEC's reserve fund (a product of Dodd-Frank) and big savings from eliminating Orderly Liquidation Authority (another product of Dodd-Frank). Although, it oddly increases spending authority by the Orderly Liquidation Fund by more than double in 2018, and more than tenfold by 2027.

Increased Revenue from Ex-Im Bank

Although the Export-Import Bank (Ex-Im) was reauthorized almost two years ago, it has been operating at less than full capacity due to a lack of a quorum on its board which prevents it from authorizing any loans over $10 million. As a result its lending is at its lowest point in 40 years, thousands of loans have gone unauthorized, and billions of dollars (both in loans and in interest revenue back to Treasury) have been foregone. The White House must anticipate a quorum on the board in the near future, because the 2018 budget shows Ex-Im revenues five times higher than those of 2017.

The president's budget plan does absolutely nothing without passage by Congress, but it's a good start to the conversation about the benefits of financial regulatory and housing finance reform.