



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 8, 2018

H.R. 4560
GSE Jumpstart Reauthorization Act of 2017

*As ordered reported by the House Committee on Financial Services
on December 13, 2017*

H.R. 4560 would prohibit the U.S. Treasury from selling the senior preferred stock issued by Fannie Mae and Freddie Mac until January 1, 2019. The bill also would direct those entities to suspend annual contributions to affordable housing trust funds if they withhold any of their profits from the Treasury during any quarter in a calendar year.

Using information from the agencies' regulator, the Federal Housing Finance Agency (FHFA), CBO estimates that enacting the bill would not affect the federal budget; therefore, pay-as-you-go procedures do not apply.

In recent years, FHFA has directed Fannie Mae and Freddie Mac to contribute to affordable housing trust funds. Annual contributions to those funds have averaged about \$300 million in the recent past. FHFA can direct Fannie Mae or Freddie Mac to suspend contributions if either entity has a negative net worth. Under H.R. 4560, if either entity withheld profits from the Treasury for any quarter during a calendar year, it would be required to suspend contributions to the trust funds for that year.

CBO estimates that implementing H.R. 4560 would not affect contributions to the affordable housing trust funds because, according to FHFA, there are no plans to direct the entities to withhold future profits from the Treasury.

In addition, according to FHFA, the federal government has no plans to sell the preferred stock issued by the entities. Therefore, prohibiting the sale of the preferred stock until after January 1, 2019, would not affect the federal budget.

On December 21, 2017, FHFA and the Secretary of the Treasury directed Fannie Mae and Freddie Mac to withhold some of their profits from the Treasury and to establish capital reserves of \$3 billion each. The entities must maintain those capital reserves and continue to send any excess quarterly profits to the Treasury. Withholding profit solely for that purpose would not require the entities to suspend contributions to the affordable housing trust funds under the bill because the direction to establish the capital reserves occurred before enactment of H.R. 4650 and, under the bill, would be considered a part

of the existing agreement between Fannie Mae, Freddie Mac, and the Department of the Treasury that determines how the entities' profits are used.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.