INDUSTRY PERSPECTIVES

GSE Reform: None or Mostly Done?

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Summary: Over the past decade, Congress and most housing finance policy developers and commentators have overwhelmingly focused on reform of the government-sponsored enterprises (GSEs) in terms of *comprehensive reform,* meaning major changes in the design and structure of the housing finance system, which would require legislation by Congress. Because no such legislation has been passed, GSE reform appears, based on this expansive understanding of reform, to be the still-unfinished business of the 2008 Financial Crisis. But with a more limited concept of *incremental reform* – i.e., fixing the major weaknesses in the existing system of housing finance – the reality is that almost all of the major flaws of the pre-conservatorship GSEs have been successfully addressed while the companies have been in conservatorship. And these incremental reforms can easily be carried forward and completed to apply to the GSEs upon an exit from conservatorship, even if that exit is done only by administrative means. On this view, which I share, reform has been "mostly done" already, quietly and competently, during conservatorship, and so a program of "reform, recap and release," if the administration pursues it, is very much in the realm of the possible.

Right after the 2008 Financial Crisis, the topic of "GSE reform" developed into a big issue in Washington and the mortgage industry. It was a regulatory issue, a financial system design issue, and (perhaps most of all) a political issue, all rolled into one.

During mid-2008, the two primary government-sponsored enterprises (GSEs), Freddie Mac and Fannie Mae, lost market confidence when the extreme economic and financial market stresses then underway caused investor concern about the potential for large losses on their outstanding mortgage guarantees, losses very possibly larger than their unusually small amount of capital available to absorb such losses. The result was that they fell into conservatorship, a legal status whereby they operate essentially as wards of the U.S. government's Federal Housing Finance Agency (FHFA), their regulator. Naturally, it was important in these circumstances to examine what went wrong and what could be strengthened or changed about the GSE business model. Such examination was, of course, being undertaken more broadly for the banking and financial system, so it came as no surprise that the GSEs were included.

But the topic of GSE reform had extra weight, for concerns had been raised about the GSEs' business model even before the 2008 Financial Crisis. These concerns were not just about the GSEs' ability to withstand financial market stress. They pertained also to the wisdom of

allowing the GSEs to play such an outsized role in housing finance; to the government's infamous "implied guarantee" of the GSEs, which acted in effect as a massive but opaque and unpaid-for subsidy; to the effect of that subsidy, which was intended to translate into less expensive mortgages for the average homeowner but seemed to be even more used to generate higher shareholder profits and executive compensation; and finally to the vigorous political activity of the two companies in defending their interests, all while claiming to be "helping homeownership."

So, for about a decade, GSE reform has been the focus of numerous discussions, seminars, conferences, congressional testimony (some focused on oversight but some very much on reform), U.S. Treasury studies, books, proposed legislation in both the Senate and House (some of which was broad-ranging and some of which was quite targeted), think tank papers, and mortgage industry association white papers. Many of these efforts have, of course, been surrounded by lobbying and public relations campaigns.

Almost all these discussions about GSE reform have focused on *comprehensive* reform. There have been proposals to eliminate the GSEs (with the private market hopefully replacing them without inordinate disruption to homeowners or the economy) or to convert them into being an industry cooperative, or a single government corporation, or as many as five or eight smaller companies, and so on. The field has not suffered for a want of intriguing ideas (with varying degrees of practicality) for comprehensive reform of the two primary GSEs. (The most prominent one – originally called Corker-Warner after its two sponsoring senators and later reworked some and renamed Johnson-Crapo for two other senators – was a bipartisan effort but still never even made it through the Senate, much less the House of Representatives.)

These debates about reform were all well covered in the media, with press conferences, interviews, stories reporting imminent announcements, and all the usual hoopla. In other words, these debates were anything but secretive; in fact, they were and continue to be very public and noisy.

And what has been the result of all the efforts at *comprehensive* reform listed above, with the two GSEs now in their eleventh year of conservatorship? The unadorned, no-spin, fully candid answer: nothing. There has been no comprehensive reform of the GSEs.

And so to some people, GSE reform appears to have not yet been addressed, much less resolved. It seems, on such a view, that "nothing has changed" since the pre-crisis years, that there has simply been no reform.

But the proposals for comprehensive reform mentioned above almost all require *legislation*, and overwhelmingly this legislation concerns what historians would call *revolutionary* change – that is, fundamentally redesigning the system of U.S. housing finance. Yet such revolutionary change is not the only kind possible: non-comprehensive but impactful *incremental* reforms, some of which will be described below, can absolutely make the current system work better. I have observed that the topics of comprehensive (i.e. revolutionary) reform and incremental reform tend to get confused in policy discussions, but the distinction between the two is critical.

Starting at the very beginning of conservatorship, even as debates about comprehensive reform requiring legislation took almost all of the public spotlight, the U.S. Treasury and the FHFA undertook incremental reforms that produced real improvement in the GSEs and the housing finance system, even if not revolutionary change. In fact, such reforms were part of the FHFA's declared mission as conservator: to improve the two GSEs as they existed, working under the presumption that Congress would eventually, someday, get around to passing legislation enacting comprehensive reform. (In 2012, when I joined Freddie Mac, I was told, "legislation is imminent." So much for the predictability of congressional action!)

As these incremental reforms have taken hold, the reputation of the GSEs has improved. Many in the industry have said to me and others they have come to see the companies as doing

a better, more professional job of being secondary mortgage operators than they had ever been! Starting a few years ago, therefore, some mortgage industry representatives – especially those representing smaller lenders, of which Freddie Mac dealt with more than a thousand - came out (for example, at a Senate Banking Committee hearing on July 20, 2017) in support of the ongoing efforts at the incremental reforms being made during conservatorship. They advocated skipping comprehensive (i.e., revolutionary) reform of the system of housing finance and instead (as one industry executive later put it to me) fixing the five or six big things wrong with the GSEs, and then moving on. In other words, they called for a limited number of incremental reforms, a very far cry from the revolutionary proposals that had dominated discussions of GSE reform.

These industry representatives are also motivated to support this policy position to avoid the "big waves" that the proposed comprehensive changes would produce. They fear that, as "big waves swamp small boats," small lenders throughout the country would be most imperiled, up to and including possibly being forced out of business, and they naturally don't want to take that risk. Smaller lenders in particular like dealing with the GSEs; they fear that comprehensive reform will lead to their having to sell their loan production to "aggregators" (i.e. large mortgage lenders) who would then turn around and try to steal their customers.

Indeed, as comprehensive reforms have stalled in Congress, so many incremental reforms have been implemented during conservatorship that it can be said today with a fair degree of accuracy that "GSE reform has already mostly happened". (One senior Treasury official said this, almost off-handedly as something fairly obvious, in a meeting I attended just before I retired from Freddie Mac.) To ensure that the GSEs continue to operate as they ought to, the incremental reforms developed and implemented during conservatorship just need to be retained going forward. This view is obviously quite different from "nothing has changed."

To judge the extent and effectiveness of the incremental reforms to the GSE system implemented during conservatorship, we should examine how these reforms address the

biggest design flaws of the pre-conservatorship GSEs. While opinions will differ, and many groups or policy specialists will have particular features that irk them, I think the core defects of the system are mostly a matter of consensus. There are five of them; each is examined further in some detail below.

1. The ability to have discretionary investment portfolios unlimited in size and heavily subsidized by the government's "implied guarantee."
2. Inadequate capital requirements.
3. Too much taxpayer exposure to possible losses from the GSEs
4. The massive concentration of $5 trillion of mortgage credit exposure housed in just two companies, a classic weakness in financial system risk design.
5. Guarantee fees that are higher for small lenders than for big lenders.

There are other important design issues, many of which have been addressed during conservatorship. My favorites would be the dramatic improvement in the "Representation and Warranty" regime, and the newly created "common securitization platform" with its associated "single security." Many would also point to the lack of competition with just two GSEs, something that can't be obviously changed without legislation, and the high percentage of mortgages which the GSEs support (almost 50% currently). And there is very strong political disagreement about the GSEs' role in broad access to credit and affordable housing mortgages. All are likely topics for my future articles.

But the "big five" design flaws are the most important ones. If they are successfully addressed, we will have accomplished the pragmatic objective of incremental reform: the existing GSE system will work reasonably well as a key component of America's housing finance system, and we will have a good (if not someone's idea of perfect) housing finance system, certainly much better than prior to 2008. (Without legislation, of course, it is arguable that this is all that can fundamentally be done.)

Let’s go one by one through the “big five” flaws and the reforms that address them.

Unlimited & Subsidized Investment Portfolios

Background: When the GSEs were privatized, beginning with Fannie Mae in 1968 and followed by Freddie Mac in 1989, the government wanted to maintain the low-cost, easy access to funding that they had enjoyed previously as units of the government while getting them off the Federal budget. So, they were supported by what came to be known as an “implied guarantee,” a set of “wink-and-nod” gestures through which the U.S. government implied that it would guarantee the GSEs’ debt. Amongst these gestures were the congressional charters, a special line of credit from the U.S. Treasury, and statements by government officials. The credit rating agencies gave the GSEs a Triple-A rating, stating explicitly it was due to this implied government support. And the market treated the GSEs’ debt almost as if it was from the U.S. Treasury itself, which meant the GSEs could access funding very cheaply – far more cheaply, for example, than banks (which enjoyed government support in the form of FDIC insurance and, one could argue, too-big-to-fail status for the largest).

The purpose of this low-cost access was to fund mortgages cheaply in order to help homeownership. But there was a design flaw – it also left the two companies with the ability to issue debt to finance discretionary investments with the cheap funds. And the two GSEs ruthlessly exploited this unintended consequence: at the peak in 2006 to 2008, they owned about $1.5 trillion of such investments in mortgage securities, including mostly in their own mortgage-backed issues. The difference between the very low interest rate they paid for funding and the higher rate of interest they collected on their discretionary investments became their largest source of profit. At the time, the GSEs’ investment portfolios together were much larger than the balance sheet of the Federal Reserve itself – in fact, almost double. I was able to confirm, soon after arriving at Freddie Mac, that roughly all of the profits on the investments were due to the funding being ultra-cheap, rather than some unusually successful investing capability.

Action Taken: The original Preferred Stock Purchase Agreement (PSPA) of 2008, which provided U.S. Treasury support to the GSEs upon their being placed in conservatorship, called for their portfolios to be reduced by over two-thirds, but at a measured pace to avoid any "dumping" of assets into the markets by the GSEs (which could have the effect of raising mortgage rates). This reduction was completed in 2018 and the two portfolios now collectively amount to under $500 billion; the portfolios are additionally limited by the FHFA, acting as conservator, in terms of what they can invest in. Under these conditions, the GSEs' portfolios serve just their intended purpose of supporting the companies' guarantee business, rather than representing discretionary, subsidized investments.

Reform Status: The reform is substantially complete, and just needs to be maintained after conservatorship ends.

Post-conservatorship: The GSEs would still need government support via an amended PSPA to maintain their business model in any release from conservatorship using administrative means. During conservatorship, of course, the PSPA provided support to each company which is stronger than the previous "implied guarantee" but less strong than a full-faith-and-credit guarantee (which would require legislation); the marketplace has accepted this new arrangement well, as proven during the last decade-plus. The amended PSPA could easily include a clause continuing the limit on the investment portfolios, and it could be expanded to specify eligible investments (which are now decided by the FHFA acting as conservator) to ensure the portfolios were truly limited to a role supporting the core functions of the companies, rather than discretionary investing.

Inadequate Capital Requirements

Background: Prior to the 2008 Financial Crisis, capital requirements on all major financial institutions were, according to current standards, too low. They simply were not high enough to let the regulated financial institution absorb the losses of a big economic stress and still maintain market confidence (i.e., avoid some form of a "run"). Even by pre-Crisis standards, the

regulatory capital requirement for the GSEs was very low – just 0.45 percent was held against outstanding mortgages guarantees. Current standards would look for at least four or five times this amount.

Normally, financial regulators are dedicated first and foremost to ensuring the "safety and soundness" of the financial institutions under their supervision. But immense lobbying efforts by both businesses (e.g., homebuilders, realtors, mortgage lenders) and nonprofit groups (looking to help the less fortunate obtain the benefits of homeownership) argued that lower capital requirements would keep the cost of mortgage credit low, and thus "help homeownership." The GSEs themselves were also all-in on low capital requirements, which made them falsely look more profitable (as measured by return-on-equity, a key success measure for financial institutions); that appearance of profitability accrued to a rising stock price along with high executive bonuses. And the low requirement seemed like a "victimless crime," as market participants who dealt with the GSEs cared little for their underlying financial strength due to the "implied guarantee" by the U.S. government.

The victim of such low capital requirements, it turned out, was the American taxpayer, who had to bail out the two GSEs in the 2008 Financial Crisis.

Action Taken: Under the terms of the PSPA, the GSEs are not allowed to build capital. So, in one sense, this issue is still unaddressed. But, in fact, much of the necessary and time-consuming work has been done on developing and implementing a regulatory capital requirement for the GSEs that is fully consistent with modern principles. (Developing such capital requirements takes regulators years to do.) This work started in 2012 at Freddie Mac, where – for internal use, to guide our own risk-versus-reward decision-making – we developed a capital requirement system that was consistent with those used by the very largest financial institutions post-2008. The FHFA, after presentations by me on the topic, decided to develop its own version of such a modernized system, which was later dubbed the Conservatorship Capital Framework (CCF); it took three years to develop and was completed in 2017. (It was very similar

to what we at Freddie Mac had developed because the underlying principles were the same.) This then became what the two GSEs had to use in their internal decision-making while under government control, and it also informed everyone about how much capital the companies would need if ever privatized as part of an exit from conservatorship.

Shortly after this step was completed, the FHFA used the CCF as a basis for a proposed official "rule" on what the minimum capital requirement would be post-conservatorship. The proposed rule went out for the legally required public comment in July 2018, the comment period closed four months later, and it is now being finalized by the FHFA as we go into the second half of 2019. As the FHFA has a very recently arrived new director, it is unclear whether there will be major changes to the proposal or not.

Reform Status: This reform is almost complete; we are now just waiting for the final GSE minimum capital rule to come out. If the result is true to the proposal put out for public comment, which was generally properly constructed (some public comments should be helpful in fine-tuning the proposal), then the GSE system, once it has raised the required amount of capital after leaving conservatorship, will not have a too-low capital requirement as a weakness anymore.

Post-conservatorship: After the FHFA has properly and presumably competently finished its regulatory minimum capital rule, it would be binding on the GSEs upon their exiting conservatorship, just as such things are binding upon banks or other regulated financial institutions. In response to concern that, over many years, special interests could lobby to reduce the capital requirement too far – a concern I have heard expressed by senior officials (e.g. Senator Corker, while the Corker-Warner bill was being developed) – there could be a clause in the amended PSPA asking for another appropriate entity (e.g., the Federal Reserve) to validate that the capital levels of the two GSEs give them the financial strength to undergo a 2008-level house price and economic decline (the "severe adverse scenario") while having a

going-concern buffer to retain market confidence (which is the same criteria that is applied to the very largest banks).

Taxpayer Exposure to Financial Losses

Background: As already described, the U.S. government, when it privatized the GSEs, installed the "implied guarantee" system to keep mortgages as inexpensive as possible while keeping the companies off the Federal budget. There was no charge for this implied guarantee – that is, no payment from the two GSEs to the U.S. Treasury – because any such payment would have punctured the convenient myth that the obligation did not, for budgetary purposes, exist. The GSEs' capital ostensibly shielded the taxpayer from exposure to risk from the companies' mortgage guarantees. But because the capital requirement was so unduly low – the 0.45 percent referenced above – it meant the taxpayer's exposure was unusually high.

And the chickens came home to roost in 2008. The taxpayer bailout, at its peak, required over $190 billion.

Action Taken: During conservatorship, the government's support to the companies is no longer a merely implied guarantee; the PSPA is a very real legal contract, its terms are public, and the marketplace regards it as very strong. (In technical finance terms, the PSPA is a "net worth keepwell" agreement, promising that each GSE's net worth will never go below zero.) The taxpayer's exposure under that agreement is quite high, as its terms do not allow capital to be built up to absorb losses ahead of the taxpayer. However, the GSEs now make large payments – almost all of their profits – for that support. (This is a far cry from the "free" implied guarantee that the companies used to enjoy.)

Reform Status: The pieces are in place for the taxpayer's support to be properly constructed in exiting conservatorship via administrative means (i.e. with no legislation); completion would occur as part of an official plan to have the two companies exit conservatorship. As of the date of this writing, the administration has promised just such a plan "soon."

Post-conservatorship: The first actions that need to be taken are for the minimum capital regulatory requirement to be finalized by the FHFA, as described above, and then for the capital to be raised to meet that requirement. When these actions have been completed, taxpayer exposure to losses by the GSEs would be only for "catastrophic risk," as before any taxpayer money would be required, shareholders' capital of substantial size would need to be exhausted. The capital requirement would be the same as the largest banks have for the same risks; such a requirement is designed to be sufficient for a "severe adverse" downturn in the economy and includes a "going-concern buffer" to maintain market confidence afterwards.

The amended, post-conservatorship PSPA should state clearly and publicly the terms of the government's support of the GSEs and define the fee to be charged for that support (the current structure of the PSPA allows just such a fee). A rough estimate is that the fee would be 0.05 to 0.10 percent on the debt obligations of the companies; on the ballpark $5 trillion outstanding today this would amount to $2.5 to $5 billion per year, a not insignificant amount, once fully phased in.

Systemic Concentration of Risk

Background: "Systemic risk" has become a major focus of financial regulators globally since the 2008 Financial Crisis. It has many facets, but one of them is concentration of risk. A financial system has less systemic risk if all the major financial companies are very diversified, with risks across many different types of assets (the old phrase "not having all your eggs in one basket" is about the very same thing). But the move to avoid concentrated risk has run smack dab into the government's design of the American housing finance system, which is populated by large "monoline" mortgage companies that, by intention, have all their eggs in one basket: the two primary GSEs, the Federal Home Loan Banks (which are technically also GSEs but usually not referred to as such), mortgage insurers, and the "thrifts" (such as savings & loans, which are banks in all but name but have requirements that most assets be housing-related). This design

has resulted in the massive concentration of $5 trillion of mortgage credit exposure housed in just two companies, a classic weakness in financial system risk design.

The first major financial crisis in America since World War II, the 1989 Thrift Crisis (also known as the S&L Crisis), showed the folly of this design. All those savings & loans (and other thrifts, like mutual savings banks) were exposed to the same massive, mortgage-related interest rate risk: their balance sheets were comprised mainly of 30-year fixed rate loans funded with deposits that were shorter-term in nature. When interest rates rose due to inflation beginning in the 1970s, those thrifts began a slow-motion collapse as their cost of funding began to rise while what they earned on those long-term mortgages did not. And since these conditions applied to the majority of their balance sheets, they had no other significant sources of income to cushion their losses. The result was the collapse of many thrifts and their bailout, commonly cited as costing the U.S. taxpayer $130 billion.

In the aftermath of the 2008 Financial Crisis, the two primary GSEs were sitting on the credit risk of mortgages in the amount of roughly $5 trillion, almost half of the entire balance of mortgages outstanding and a huge portion of the entire financial system. And as monolines, they have nothing else to cushion this risk. The eggs are very much in the same basket – or in this case, just two baskets.

All by design of the government to “help homeownership.”

Action Taken: There seemed, until 2013, no way out of the box created by the government legal requirement that Freddie Mac and Fannie Mae be monolines with nothing but concentrated mortgage credit risk. But then Freddie Mac invented the modern GSE “credit risk transfer” (CRT) transaction when it issued in July 2013 its first STACR bond (the acronym is unimportant – what matters is that it is a bond to securely and truly transfer credit risk on GSE-guaranteed mortgages to professional investors). The FHFA had been officially and publicly looking for such a transaction to be developed, and when I arrived at Freddie Mac I found a team dedicated to

doing it, but with no top management support – a situation that I quickly remedied. (In a future paper, I will go into CRT in some detail, including how it may enable the GSEs to lower G-fees some.)

CRT has led to a major shift in how the GSEs do business. Instead of sitting on the credit risk of the mortgages, they now securitize most of it – the percentage has grown over time to be more 70% – to global investors via bonds and certain re-insurance contracts. As long as those investors have diversified portfolios of investments, in which mortgage credit risk is only a small portion of the total exposure, the overall risk to the entire financial system has been clearly decreased. Because it takes many years for the entire mortgage book of the two GSEs to turn over, CRT has not yet fully realized its potential to reduce such systemic risk, but the process is well underway. So, each year the concentration risk represented by the GSEs is being reduced; eventually, it should be comparatively modest.

And, as a bonus, these transactions are not just a way good to reduce systemic risk, but also a better way for the two GSEs to finance the credit risk they take on as monolines. In technical finance terms, the cost of the CRT bonds and reinsurance contracts is cheaper than the cost of capital to buy and hold the credit risk on the GSEs' own books (which was their business model in the past).

Reform Status: The GSEs' switch to a CRT-based business model is largely complete; it just needs to be allowed to continue in any exit from conservatorship.

Post-conservatorship: Without legislation, the only obvious way to continue to address the concentration of risk is to continue a robust CRT program with the requirement that investors be diversified. That will happen naturally if the FHFA's minimum capital requirement is properly constructed since such transactions have proven to be more economically efficient than the old "buy and hold" business model. The capital requirement could be supplemented with an FHFA regulation, anchored in safety and soundness, that would require GSE programs to reduce their

exposure to any single class of risk. Such a rule might include a capital surcharge for excessive risk concentration to help incent the right behavior.

“Non-Level” Guarantee Fees

Background: The business model of the GSEs, at a high level, is pretty simple. They do not make mortgage loans to homeowners; they buy mortgages from lenders (known as “primary market lenders”), then package them up to sell to global capital market investors in the form of mortgage-backed securities (MBSs), and in turn guarantee those investors against the credit risk of the loans in the MBSs (and so the GSEs end up with the credit risk on their own books). In this construct, the GSEs are considered “secondary” participants in the mortgage business.

The economics at a high level are also relatively simple. The lenders sell their mortgages to the GSEs at a price designed to yield the same interest rate that MBS investors are requiring the GSEs, in turn, to pay on those same mortgages. In addition, because MBS investors do not take any credit risk – as the GSEs guarantee the credit to them – the GSEs add a “guarantee fee” (known as a G-fee) for taking that risk on top of the MBS interest rate. And so the mortgage rate to lenders is the market-set MBS rate plus the GSE-set G-fee. After lenders add some margin to cover their costs and profit requirement, that’s what homeowners pay.

In the years prior to conservatorship, the GSEs gave volume discounts on G-fees to larger lenders, a feature common in many businesses. But smaller lenders strongly objected to this – to them, the GSEs were entities created by the government to make the primary mortgage markets work better for the homeowner, and volume discounts, which gave a competitive advantage to larger lenders, unfairly skewed the results.

Action Taken: Beginning in the early years of conservatorship, the FHFA implemented, without a lot of formality and over several years, a policy of “level G-fees”: the average G-fee would not vary other than insignificantly between lenders of small, medium or large size. (It can vary for other reasons – e.g., the riskiness of the loans being sold to the GSEs.) The FHFA also publishes

the results periodically to show how the policy is working. Naturally, industry associations of smaller lenders watch these results closely, and are very attuned to any notion of GSE reform that would return to the non-level (i.e. volume discount) G-fees of the past.

Reform Status: The reform is complete in conservatorship; it just needs to be maintained in any exit from conservatorship.

Post-conservatorship: The amended PSPA that needs to accompany a release from conservatorship via administrative means would have as a requirement a continuation of the program of "level G-fees," with the FHFA designated to administer it. In other words, there would be no change from what exists now.

Getting to Done

And there they all are: what I believe to be the consensus-view five biggest design weaknesses of the pre-conservatorship GSE system, either fully or almost fully properly addressed in conservatorship with remedies that can be maintained post-conservatorship. This work was done relatively quietly; it was not done hastily, as each solution required several years to develop, implement and refine; and none of these solutions are oversimplified short cuts of the sort that can be found in proposals for legislation.

So, is GSE reform "none" or "mostly done"? Clearly, as long as one is truly focused on incremental reform of the current system rather than revolution – it is indeed mostly done.

And maybe therefore it is, after more than a decade, time to finally "move on" based upon the reforms already in place. Indeed, the administration has indicated that even absent congressional action, it may be willing to take steps to release the GSEs from conservatorship as long as it feels that the reforms in place successfully address the major policy flaws of the pre-conservatorship GSEs, in particular by adequately shielding taxpayers from the risk of GSE losses. While there are a number of technical and legal issues to be resolved for this exit to

happen, especially those relating to raising capital and dealing with the outstanding pre-conservatorship common and preferred shares, there is no reason that the administration cannot put the GSEs on a path to be released from government control over the next several years. This exit from conservatorship would not be "recap and release," which implies no change from the pre-conservatorship years; it would instead be "reform, recap and release" to lock up the reforms put in place during conservatorship.

On a pragmatic basis of actually getting something done, that would be my vote.

And it can be done solely by administrative means, although legislation in Congress could be based upon incremental reform rather than comprehensive reform as well.

So, I look forward to seeing the plan from the administration, as promised, in the near future.