Statement by FDIC Chairman Jelena McWilliams on FSOC Activities-Based Review of Secondary Mortgage Market Activities

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One of the most important reforms implemented following the 2008 global financial crisis was the substantial increase in the quantity and quality of loss-absorbing capital at the nation's largest banks. Since joining the FDIC, I have continued to advocate for robust capital standards. Robust capital standards help ensure that banks are more resilient and more capable of absorbing losses during times of stress. Over the past few months, we have seen the benefits of a well-capitalized banking system, as banks have been able to serve as a source of strength during COVID-19-related economic stress.

Prior to the global financial crisis, Fannie Mae and Freddie Mac were two of the largest, most highly leveraged financial companies in the world. Since being placed into conservatorship in September of 2008, their role in the mortgage market has only grown. If and when the companies are released from conservatorship, robust capital standards will be critical to help protect the mortgage markets and taxpayers during future housing market downturns.

While the Federal Housing Finance Agency's (FHFA's) proposed capital requirements would still be substantially lower than bank capital requirements, the proposal represents a dramatic improvement compared to the pre-crisis model. Of course, raising capital comes with a cost, and thus calibrating capital standards always involves balancing competing goals.

I applaud Director Calabria for his work on the proposal and the Financial Stability Oversight Council (FSOC) working group for their work on this review.