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Chairman Flood, Ranking Member Cleaver, Chairman Hill and Ranking Member Waters, my name is Michael Bright, and I am the CEO of the Structured Finance Association. Thank you and your staff for inviting me today and for holding a hearing on such an important topic.

SFA was formed in 2013 with the goal of convening the many diverse institutions involved in securitization – including consumer and commercial lenders, data providers, auto and equipment finance companies, rating agencies, law firms, trustees, banks, and – very importantly – end investors.

This structure forces SFA to convene all parties - both those involved with the creation of a fixed-income security – such as Mortgage-Backed Security (MBS) – and those who invest in them. Since SFA represents all participants in a transaction, long-term financial stability – in the mortgage market as well as other markets - is a core principle of ours.¹

The Secondary Mortgage Market Ecosystem

The American secondary mortgage market is an incredibly important yet complex ecosystem. It extends well beyond Fannie Mae, Freddie Mac, and Ginnie Mae, which are often the primary focus of policy discussions. These entities do not originate mortgages; they provide credit guarantees that support liquidity and standardization in the market. Operating in tandem with these government-chartered agencies, there is an interconnected series of market participants, including mortgage-backed securities investors, broker-dealers, risk modelers, derivative hedging operations, prepayment analytical firms, and others. Together, these participants form the overall mortgage apparatus that supports mortgage lending nationwide.

Lending activity to individuals is made possible, in part, by investors in American mortgage-backed securities. These include insurance companies, banks of all sizes, pension plans, and individual savers through investment vehicles such as 401(k) retirement accounts. This diverse investor base is the source of capital that forms the foundation of American's ability to have fixed rate, fully prepayable mortgages, which currently account for more than 90% of all outstanding U.S. household mortgages.²

One essential connection between the secondary agency MBS market and individual borrowers is the “To Be Announced” (known as TBA) market, which allows lenders to lock in a borrower's interest rate before a loan closes, giving households certainty about their monthly payment before completing the homebuying process.

That ability matters because lenders are exposed to interest-rate risk between the time a borrower locks a rate and the time the mortgage closes. The TBA market allows lenders to hedge that risk

¹ SFA's governing bylaws go to great lengths to differentiate its operating rules from those of other trade associations. A policy position is only advocated by SFIG if consensus is achieved by all relevant members of a committee, and each committee has representation across all relevant aspects of such market. This natural tension is an important governor on SFIG's policy positions and supports longer-term, market-wide solutions.

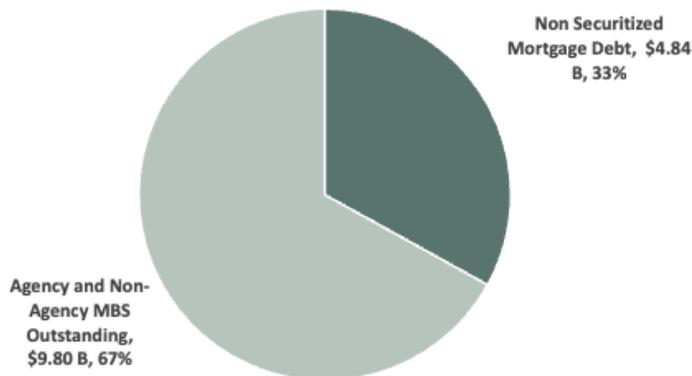
² Source: *Federal Reserve Bank of St. Louis*

efficiently, supporting longer lock periods and lower costs for borrowers. Without a deep and liquid TBA market, borrowers would likely face shorter lock periods, higher lock fees or higher mortgage rates to compensate lenders for that uncertainty.

Liquidity, Risk Management and Market Stability

The benefit of forward liquidity extends through the life of the mortgage. Investors use the TBA market to manage the highly complex risk associated with prepayments when rates fall, and extension risk in a rising rate environment. History shows that even large, sophisticated institutions—including the Government Sponsored Enterprises (GSEs) themselves—have struggled with these risks.

Composition of Residential Mortgage Market, YE 2025 Total Size: \$14.6 trillion



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When the TBA market functions well, these risks are absorbed by a broad investor base, including banks, insurance companies, pension funds, asset managers, foreign investors, REITs, and the Federal Reserve. Since agency MBS predominately trade through the TBA market and are widely held across many investor types with different risk appetites, shocks can be absorbed without forcing mortgage rates to spike.

Academic research underscores the importance of this liquidity. A [Federal Reserve](#) study finds that TBA trading reduces the yield investors require to hold MBS during periods of market stress, with those savings passed to households in the form of lower mortgage rates. As a result, major policy shifts that rapidly change the structure or economics of the mortgage market can create significant disruptions and unintended negative consequences for American families.

Private-Label Securitization and Market Evolution

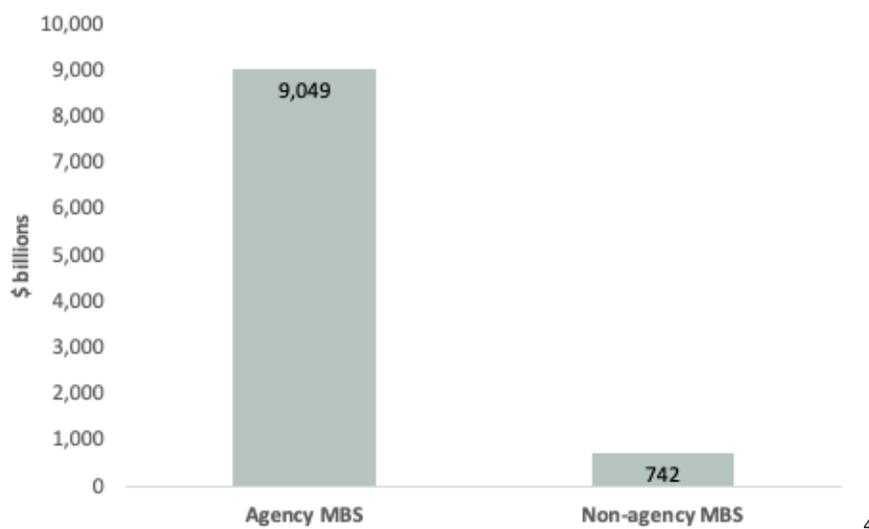
SFA represents the ecosystem in the private-label security (PLS) MBS market, in addition to the agency MBS market. Since 2008, the PLS market has undergone enormous change. The most

³ Source: Federal Reserve Financial Accounts of the U.S. Z.1, SFA Research

important change has been to ensure underwriting practices over the past 15 years are sound. At SFA we say “[B]ad loans make bad securities. Good loans make good securities.”, a lesson from the fact that pre-crisis failures in mortgage underwriting were the primary contributing factor to the collapse of certain bonds.

Post-crisis reforms in the PLS market such as the Ability to Repay rule, risk retention, QM definition, oversight of servicing standards, and documentation of loans have all helped to create a PLS market that serves millions of Americans without direct taxpayer risk. The strength of the reforms in the PLS market can be seen in the fact that this market continues to function despite the enormous increases in GSE loan limits over the past decade.

Total Outstanding: Agency MBS vs PLS MBS as of YE 2025

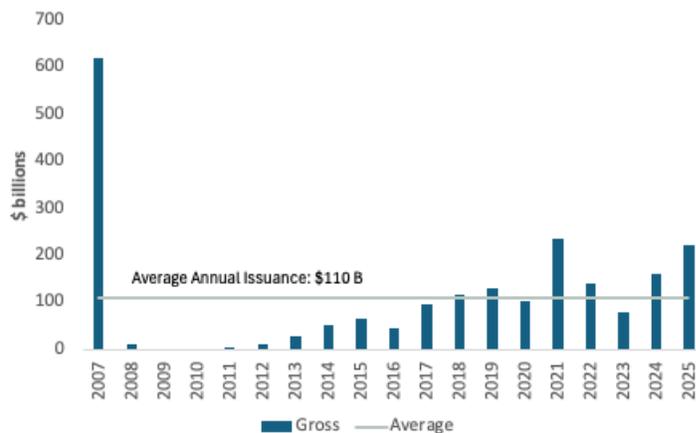


While the outstanding share of non-agency MBS remains small relative to the share of outstanding agency MBS, we are seeing signs that private capital is funding an increasing share of newly originated mortgages. Total non-agency MBS ended the year with \$185.85 billion in new issuance in 2025, a 39.5% increase from 2024. Securitization of newly originated loans was up even more, by 63.7%.⁵ This encouraging development demonstrates private capital’s ability to fund mortgages for borrowers who fall outside agency criteria, including those with non-W2 wages as well as those who seek HELOCs, closed end second mortgages, or business purpose loans.

⁴ Source: JPM, Recursion, SFA Research

⁵ INSIDE MBS & ABS – JANUARY 16, 2026 “RMBS Issuance Ends Banner Year With Modest Decline”

Private Label Issuance RMBS Issuance 2007 to 2025



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Policy Considerations and GSE Reform

The principal headwind to the responsible growth of the non-agency market is the GSEs' outsized footprint, especially in segments of the market that can — and should — be funded by private capital. Policymakers can take steps to better calibrate the GSE's market share—including revisiting the LLPA and the rate of growth of the GSEs' conforming loan limit— while also reducing regulatory obstacles that impede the growth of the non-agency market.

For instance, since the SEC's Regulation AB II went into effect in 2014, all non-agency RMBS has been issued in the 144A private placement market rather than via public issuance. Fortunately, in September 2025 the SEC issued a Concept Release⁷ seeking input on the lack of public non-agency RMBS issuance and requesting feedback on what changes can be made to open public RMBS markets. SFA responded to the concept draft release and continues to engage with our members and with SEC staff to create rules that issuers are comfortable with and that provide investors with clear disclosures to make investment decisions⁸.

In our view, as representatives of secondary mortgage market participants, clear legal certainty over the long-term fate and structure of the GSEs is vital. Ambiguity regarding the government's role, GSE business structures, or the regulatory treatment of their securities in a post-conservatorship environment could undermine the investor's ability to accurately price risk. These dynamics – if they were to arise – have the potential to put upward pressure on mortgage rates.

⁶ Source: JPM, SFA Research

⁷ <https://www.sec.gov/newsroom/press-releases/2025-126-sec-seeks-public-comment-improve-rules-residential-mortgage-backed-securities-asset-backed>

⁸ <https://structuredfinance.org/resources/sfa-responds-to-secs-concept-release-pertaining-to-rmbs-and-abs/>

If changes are going to be made to the structure of the secondary mortgage market, they should be done thoughtfully and methodically. Ideally, reforms would be done via legislation and supported via strong Congressional oversight.

As the federal government continues to evaluate potential changes to the conservatorship of Fannie Mae and Freddie Mac, it is essential to safeguard financial markets against destabilizing disruptions. The GSEs have remained under federal conservatorship since the 2008 financial crisis, and we recognize the merits of any number of potential next steps for these entities as the secondary market will price any outcome. SFA has coalesced its membership around the following set of reform principles to guide any transition. These principles aim to balance the role of GSEs in promoting affordable housing with the need to safeguard taxpayers and foster a robust private securitization market.⁹

1. **GSE reform should focus on preserving the private market and not merely on releasing Fannie Mae and Freddie Mac from conservatorship.** Doing nothing more than privatizing Fannie and Freddie would allow them to grow their market share in high credit quality loans and abandon lower end borrowers to the Federal Housing Administration (FHA).
2. **Release from conservatorship for the GSEs should be accompanied by lower loan limits on the mortgages they can guarantee.** Washington-based, government-backed entities should not be facilitating the purchase of million-dollar homes, as doing so does not advance the GSE's affordable housing mission.
3. **Release from conservatorship should be accompanied by sensible restrictions on the activities of GSEs.** As recently as 2024, Freddie Mac sought permission to purchase second lien home equity loans,¹⁰ which are consumer loans that use homes as collateral. Post-conservatorship rules should guard against such mission-creep in this and other areas.
4. **Credit risk transfer (CRT) securities from the GSEs, which are pre-funded, clearly defined forms of insurance that are often cheaper than equity, should be retained.** CRT is not a replacement for equity, but it is an important part of a diverse and well-managed risk mitigation regime.
5. **The Securities and Exchange Commission should rethink and revise its reporting requirements for the private market.** Investors are right to demand that reporting standards not be degraded. But something is amiss with the SEC's Reg AB II, which governs disclosures

⁹ See also: <https://www.americanbanker.com/opinion/reforming-fannie-and-freddie-is-overdue-but-must-be-done-carefully>

¹⁰ <https://www.fhfa.gov/news/news-release/fhfa-announces-conditional-approval-of-freddie-mac-pilot-to-purchase-second-mortgages>

about public residential mortgage-backed securities, as no deals that are subject to the rule have been issued since the rule's implementation.

6. **The well-functioning forward (“TBA”) market needs to be kept liquid and intact.** If credit concerns of the underlying issuers are suddenly in play, it is difficult to see how that could be done without disruption, especially to the relatively new Uniform Mortgage-Backed Security (UMBS).

Other Considerations

Capital Framework: Consumers and businesses require access to affordable capital to flourish. This is true not only in residential mortgage loans, but also applicable to auto loans, consumer loans, credit cards, business equipment loans, and many other facilities that enable consumers and businesses to make significant purchases to invest in themselves and their business interests. These are all facilitated by the securitization market, of which banks are an integral component. As regulators consider changes to bank capital frameworks, which is a difficult calibration to help ensure the stability and solvency of our banking system, SFA encourages thoughtful balancing of risk management when setting parameters associated with securitization. Striking the proper balance between risk weights for multiple asset classes (including residential MBS), and supervisory calibration parameters such as the *p-factor*, will be essential.¹¹

GSE Operations: At times there are activities that pit the GSEs as competitors to private capital rather than key counterparties in the ecosystem of the secondary market. Occasionally, the GSEs' have relied heavily on their cash window facilities for securitization, bypassing traditional market-driven execution. This can have the effect of creating an unlevel playing field that crowds out private-label securitization and exposes the GSEs to unnecessary risk.

Institutional Ownership of Single-Family Homes: Policymakers should take care so that any steps to limit institutional ownership of single-family homes do not exacerbate existing supply and affordability concerns. For instance, scoping out build-to-rent and fix-and-flip developers and owners could mitigate concerns of constraining supply. And limiting the definition of an institutional investor to include an interest in titled ownership of the collateral—rather than mortgagor or lien-based interest—will be necessary to avoid restricting access to credit.

Thank you again for holding this hearing and for your attention to this topic. SFA looks forward to working with all of you as you continue to focus on these markets and housing in the United States.

¹¹ See SFA comment letter on Regulatory Capital Rule https://structuredfinance.org/wp-content/uploads/2025/10/SFA-Comment-Letter_EGRPRA_FINAL.pdf