

Introduction

February was a month of both good and bad news in the nation's capital. The good news included the passage of a two-year budget deal by Congress that should avert the threat of government shutdowns and fiscal cliffs over the short term. The bad news included more scandals in the Trump administration, including revelations that a senior staffer accused of spousal abuse was allowed to continue working in the West Wing, and that a significant number of White House staff have yet to be granted full security clearances, but are allowed to access sensitive intelligence reports. More indictments from Special Counsel Robert Mueller demonstrate that his investigation of Russian election meddling will continue, at least in the near term, and a mass shooting at a Florida high school grabbed the nation's attention and has rekindled debate over federal firearms laws. With these issues as a backdrop, please read below for an update on the key issues topping our Washington watch list.

Budget Deal

On February 9, Congress passed a \$320 billion budget deal to avert another prolonged government shutdown. This budget deal provides short-term government funding through March 23 and lifts the "sequestration" spending caps for the next two fiscal years. The hope is that this short-term funding will give the House and Senate appropriations committees enough time to draft a \$1.3 trillion omnibus spending bill that will fund the government for the remainder of the fiscal year, which ends on September 30. The agreement includes billions of dollars for domestic and defense spending, provides for \$90 billion for disaster aid to states and territories that have faced weather and wildfire emergencies, and authorizes another short-term extension of the National Flood Insurance Program. The bill also increases the federal government's debt limit until March 2019, which should encourage stability in sovereign debt issuances. Budget hawks on the right and immigration doves on the left were disappointed in the bill, although it passed both chambers with relative ease. It received a vote of 71-28 in the Senate and 240-186 in the House. The failure to include a provision resolving the status of the 700,000 "Dreamers" who lost legal immigration protections under the Deferred Action for Childhood Arrivals program was a bitter defeat for Democratic Leader Nancy Pelosi (D-Calif.). Pelosi had urged her caucus to vote against the bill in an impassioned filibuster-style floor speech; however, 73 Democrats joined the majority of the Republican caucus to pass the bill.

President's Fiscal Year 2019 Budget

In mid-February, the White House introduced the president's budget for 2019. Described as a "messaging document" by Office of Management and Budget Director (and acting Consumer Financial Protection Bureau Director) Mick Mulvaney, the budget does not have any legal effect, but it does demonstrate the policy positions of the Administration. Regarding housing policy, the budget proposes a 14 percent cut in funding to the Department of Housing and Urban Development. It also eliminates the funds for Community Development Block Grants, the HOME Investment Partnerships Program, and public housing repairs and revitalization. For matters under the auspices of the Federal Housing Finance Agency (FHFA), the budget proposes eliminating allocations to the Housing Trust Fund and Capital Magnet Fund, and suggests raising the 10 basis point surcharge on Fannie Mae and Freddie Mac guarantee fees to 20 basis points and extending it to 2023. The surcharge was adopted to pay for a 2011 cut in the federal payroll tax.

Fannie Mae and Freddie Mac Updates

On February 20, the Supreme Court declined to review appeals court decisions that allow the FHFA to transfer Fannie Mae and Freddie Mac's quarterly profits to the U.S. Treasury. The Department of Justice had argued that federal law prohibits any court from interfering with FHFA's conservatorship powers, and that FHFA as conservator had assumed all shareholder rights.

Earlier in the month, twin announcements that Fannie Mae will need a \$3.7 billion draw on its credit line with the Treasury and Freddie Mac will need a \$312 million draw, did not cause much reaction within the political sphere or the markets. Viewed as a one-time event caused by the recently-passed tax bill, the draws were the result of "accounting" loss of value for deferred tax assets. That said, House Financial Services Committee Chairman Jeb Hensarling (R-Texas) stated that the draws demonstrated the need for housing finance reform that would wind down the two mortgage giants. He further criticized FHFA's decision to continue allocations to the Housing Trust Fund and the Capital Magnet Fund while Fannie and Freddie were requesting draws.

Regulatory Relief

There is an expectation that the bipartisan regulatory relief bill championed by Senate Banking Committee Chairman Mike Crapo (R-Idaho) may move to the Senate floor for consideration very soon. Crapo's bill has 11 Democratic co-sponsors, meaning it could meet the 60 vote threshold and pass on the Senate floor with near unanimous Republican support. Anticipating that the Senate will make floor time for its bill, Chairman Hensarling has worked with House Republican leadership to pass a number of individual measures through the House so that they are primed to be considered in a future House-Senate conference on regulatory relief measures.

2018 Mid-Term Election Primary Schedules

As the 2018 mid-term elections draw near, we thought it would be helpful to note the dates for party primaries across the FHLBank Atlanta footprint. They are:

- Alabama: June 5 with a runoff date of July 15
- Florida: August 28 with no scheduled runoff date
- Georgia: May 22 with a runoff date of July 24
- Maryland: June 26 with no scheduled runoff date
- North Carolina: May 8 with no scheduled runoff date
- South Carolina: June 12 with a runoff date of June 26
- Virginia: June 12 with no scheduled runoff date

