



## Jostling for FHA post shows lack of clarity on Trump housing agenda

Lorraine Woellert

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Ed Brady wants to keep the Federal Housing Administration humming. Clinton Jones wants to cut it down to size. They share a common goal, though. Both want the agency's top job.

For a clue to President-elect Donald Trump's thinking on housing reform, watch the race for FHA commissioner. Ideologically, the unofficial lineup of contestants for the job couldn't be more diverse, a signal that the incoming administration — and its wannabes — still don't know what, exactly, Trump's housing agenda is.

Jones, a senior counsel on the House Financial Services Committee, is an architect of Chairman Job Hensarling's legislation that would shrink the FHA and, critics say, make home loans more expensive. Brady, who is wrapping up his term as chairman at the National Association of Home Builders, credits the FHA with rescuing the housing market in the thick of the financial collapse.

"I want to make sure FHA is strong and sustainable and has good advocacy," Brady told POLITICO. "Frankly, it was our lifeline for our industry during the crisis."

Others said to be under consideration for the job are, at one end of the ideological spectrum, outgoing Rep. Scott Garrett, a New Jersey Republican on the Financial Services Committee, and the Cato Institute's Mark Calabria. Like Jones, they want to minimize or eliminate government's role in the mortgage business.

Then there are Brady, Adolfo Marzol, a former executive at mortgage insurer Essent, and former Rep. Rick Lazio, a New York Republican who wrote housing legislation that was signed into law by President Bill Clinton. All are sympathetic to, if not downright supportive of, the symbiosis between housing and government.

Trump made his fortune in real estate and understands the complexities of the financial system that makes homeownership possible for average Americans. But the president-elect hasn't said much about how to fix the market's rattling mortgage engines — FHA and its distant relatives, Fannie Mae and Freddie Mac.

All three had to be rescued by taxpayers after the housing collapse. Now that home prices and jobs have bounced back, FHA is in the black but threatened with underfunding.

Fannie and Freddie, which became taxpayer dependents during the financial meltdown, are making money but still living under the government's roof. Under orders from Congress, they will have exhausted their capital buffers by this time next year, increasing the odds that they will need to call on Treasury for cash.

It's a tenuous situation that had Steven Mnuchin, Trump's pick for Treasury secretary, sounding the alarm the day after his nomination.

"We've got to get Fannie and Freddie out of government ownership," Mnuchin told Fox News. "It makes no sense that these are owned by the government and have been controlled by the government for as long as they have."

Capital markets and some in the media took that to mean that Mnuchin wanted the companies to bulk back up and return to their job of buying, selling and profiting from mortgages as quasi-independent entities. But what he really meant is anyone's guess. Some Wall Street players are so unnerved at the comments and the prospect of returning to a flawed system that they have asked Mnuchin to explain his remarks.

"It could have meant anything," said the Milken Institute's Ed DeMarco, who as Fannie and Freddie's onetime top regulator helped stabilize the companies after the collapse.

"Until there's a fully formed team that's had time to strategize, it's premature to predict a particular path on housing," DeMarco said. "I don't think we know anything until the team's in place and it gets its act together."

Ben Carson, chosen by Trump to lead the Department of Housing and Urban Development, has been in Washington learning his way around the issues and reaching out to stakeholders. Whoever is chosen for FHA won't drive mortgage reform but will be part of the Trump team pushing the market toward either privatization or continued government support.

"Whoever Trump appoints for FHA commissioner, will be sending a strong signal about the direction that Trump intends to go on housing finance in general," Georgetown Law Professor Adam Levitin said.