



Two advocacy groups enter the battle over Fannie Mae and Freddie Mac

By Joseph Lawler

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The fate of the bailed-out mortgage businesses Fannie Mae and Freddie Mac likely won't be resolved for years, but at least two new advocacy groups are staking out positions in the looming battle over U.S. housing finance.

One new 501c(4) organization, the Coalition for Mortgage Security, announced its creation Monday morning. Directed by Ken Blackwell, a former undersecretary at the Department of Housing and Urban Development and a Republican politician, the group says that it is committed to advocating for Fannie and Freddie to be wound down responsibly.

Separately, over the past few weeks the conservative seniors' group 60 Plus Association has come out with a \$1.6 million ad campaign strongly opposing a bipartisan Senate effort to replace Fannie and Freddie.

The television and radio ads will play in the states of Republican and Democratic senators facing re-election, warning that the bill they support will “bring Obamacare to the mortgage industry.”

Illustrating the complexities of housing finance policy, the Coalition for Mortgage Security and 60 Plus share a common goal, even though they differ in their overall visions for replacing Fannie and Freddie. Both groups aim to reverse the Obama administration's 2012 decision to funnel all earnings from the government-sponsored enterprises to the Treasury. That measure was a blow to the companies' shareholders -- the two government-sponsored enterprises

remained public companies when they entered a legal arrangement called conservatorship with the federal government in late 2008.

In recent months, a number of hedge funds and other investors that purchased shares of the GSEs have sued the government over the decision. Since receiving a total of \$188 billion in bailout funds, the two companies have returned to positive cash flow and returned \$203 billion to the Treasury in dividends through the first quarter of 2014, according to their regulator, the Federal Housing Finance Agency.

The Coalition for Mortgage Security likened the administration's decision to keep all Fannie and Freddie earnings to changing the rules of the game in the middle of an inning. A spokesman for the 60 Plus Association described it as a "government confiscation" of investors' earnings.

The Coalition for Mortgage Security also intends to advocate reform compatible, in its very broad outlines, with the bipartisan Senate bill introduced by Banking Committee Chairman Tim Johnson, D-S.D., and ranking member Mike Crapo, R-Idaho. The group supports the idea of private backing for mortgage-backed securities, backed by a limited government guarantee, although the specifics are not fleshed out.

For now, the group is in the "beginning stages of putting together a thoughtful political force" that will eventually include television and radio advertising in addition to advocacy, Blackwell said. He added that "this is probably a two-cycle proposition," and that the group was organizing with the assumption that legislative action wouldn't heat up until 2015 or 2016.

The principles Blackwell laid out, which also include ensuring the viability of the uniquely American 30-year fixed-rate mortgage, represent a departure from some conservative Republicans.

Republicans on the House Financial Services Committee last year passed a bill to wind down Fannie and Freddie and replace them with a system that did not include a government backstop for mortgage-backed securities.

Furthermore, both the conservative Heritage Foundation and the libertarian Cato Institute have endorsed a method of budgeting that would show Fannie and Freddie as liabilities to the government, not profitable public companies.

But Blackwell stressed the bipartisan character of the Coalition for Mortgage Security's efforts, and said that in the coming weeks the group would introduce a liberal Democrat to complement him.