

Bloomberg

Fannie Mae and Freddie Mac Are Getting a New Overseer

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April 4, 2019

The U.S. Senate confirmed Mark Calabria to run the agency that oversees Fannie Mae and Freddie Mac, a potentially crucial step in President Donald Trump's recently announced call to reform the mortgage-finance giants.

Calabria, a libertarian economist currently working for Vice President Mike Pence, won lawmakers' approval in a 52-44 vote along party lines. He'll take the reins as Federal Housing Finance Agency director from Joseph Otting, who ran the agency on an interim basis while also serving as comptroller of the currency.

As head of FHFA, Calabria will be instrumental in the Trump administration's effort to reform Fannie and Freddie, which have been under federal control since 2008. The president last month signed a memorandum that called on the Treasury Department to come up with a proposal for ending the U.S. conservatorship of the companies, and is essentially a plan to create a plan.

Calabria, with Treasury Secretary Steven Mnuchin, could take administrative steps such as allowing Fannie and Freddie to rebuild their capital buffers -- a step seen as a precursor to ending government control. His ability to make bigger changes is likely to be limited in the face of reform efforts being undertaken by the White House and in Congress.

"We do not expect any immediate moves by Dr. Calabria at the FHFA until after the Trump administration releases a plan for mortgage finance reform, which we expect sometime in the next six months," Keefe, Bruyette & Woods analyst Brian Gardner wrote in a note.

The process for approving Calabria was accelerated by Senate Majority Leader Mitch McConnell, who changed procedural rules Wednesday to speed consideration of some Trump nominees. In 2013, then-Senate Majority Leader Harry Reid changed the rules to aid in the confirmation of Mel Watt, President Barack Obama's pick for FHFA director.

Calabria will come to the FHFA job after years of criticizing Fannie and Freddie from his perch at the Cato Institute, a Washington-based public policy group that says it promotes free markets and limited government.

At his confirmation hearing in February, Calabria walked back some of his more controversial positions, expressing support for affording-housing goals and saying the 30-year fixed-rate mortgage would survive his tenure. He also declined to endorse the idea of recapitalizing the companies and releasing them from government control, a path being promoted by hedge funds and other investors looking to cash in on their Fannie-Freddie stakes.