

Democrats quiz Trump's pick to oversee Fannie and Freddie on whether he'd disrupt mortgage markets

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Democratic senators quizzed the Trump administration's nominee for a top housing regulatory post Thursday on whether he would disrupt the the multi-trillion dollar housing finance market.

Mark Calabria, President Trump's nominee to direct the Federal Housing Finance Agency that oversees Fannie Mae and Freddie Mac, faced questions from Democrats about whether he would pursue policies that might harm homeownership prospects.

Calabria, who has a long history of advocating free-market housing finance policies that spans his time as a staffer for the Senate Banking Committee and his current position as chief economist to Vice President Mike Pence, strove to assuage any concerns that he would dismantle the current system.

"I'm the last person who wants to disrupt the mortgage market, I'm trying to keep the mortgage market from disrupting itself," said Calabria.

The economist also denied knowledge of an administration plan to reshape the housing finance market. Acting FHFA Director Joseph Otting had touted such a plan behind closed doors, according to a recording obtained last month by Politico. In reaction to the leak of Otting's remarks, White House officials pledged to work with Congress to address the future of Fannie and Freddie, the housing finance companies, created to increase affordability of mortgages, that have been under government control since the 2008 financial crisis.

"I have not heard director Otting's words," said Calabria, when asked about the administration's plans. He later denied an assertion, reportedly made by Otting, that he had "signed off on" a housing finance reform plan without any input from Congress. Calabria further asserted that, to maintain independence, he removed himself from housing finance conversations within the administration when he knew he was under consideration to be nominated for the FHFA director position.

Calabria said he wants to raise the amount of capital that Fannie and Freddie are required to maintain as a buffer to prevent another federal bailout. That prompted skeptical questioning from at least one Democrat, Sen. Mark Warner D-Va., over the effect that such a policy could have on borrowing costs for homebuyers.

"In an ideal world it would be nice to have lots of capital," said Calabria, while acknowledging that a majority in Congress might not agree with the amount of cash he thinks Fannie and

Freddie should keep on hand. Calabria added that, “I think if we can get to a reasonable capital level that avoids the possibility of crisis,” he would be willing to compromise with Congress on that amount.

Calabria, who also worked for years at the libertarian Cato Institute between jobs with the Senate Banking Committee and White House, added that he would keep subsidies in place for the 30-year fixed-rate mortgage, one of the major hot-button issues in housing finance reform.

“I believe that we do need a vibrant secondary market for the 30-year mortgage,” said Calabria.

“I have one myself, I’d like to keep it,” he quipped.

Calabria, and other nominees for positions with the Treasury Department and National Credit Union Administration board, are expected to be confirmed in coming weeks, barring major objections that have yet to be raised.