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Trump Housing-Finance Nominee Pledges to Preserve 30-Year Mortgage

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Mark Calabria tells senators at confirmation hearing that ‘a well capitalized, strong system’ is compatible with the 30-year mortgage, a product he opposed in the past.

WASHINGTON—The Trump administration’s pick to help overhaul the way many Americans finance their home purchases told Congress on Thursday he would work to preserve the popular 30-year mortgage, a product he has criticized in the past.

Mark Calabria, speaking at his confirmation hearing at the Senate Banking Committee, said, “It is indeed possible for us to have a well capitalized, strong system that preserves the 30-year mortgage.”

The nominee also said he would scrutinize big banks if confirmed, using his seat on a panel of regulators, the Financial Stability Oversight Council, to raise concerns about risks the largest firms pose to the financial system. A critic of big banks, Mr. Calabria said he disagreed with the 2008 federal bailout plan known as TARP.

The Senate panel is considering the nomination of Mr. Calabria to lead the government’s oversight of Fannie Mae FNMA -3.40% and Freddie Mac . FMCC -2.77%. The mortgage-finance companies guarantee roughly half of U.S. home loans and have been under government control since the financial crisis. If confirmed, Mr. Calabria would play a pivotal role as head of the Federal Housing Finance Agency in making changes to Fannie and Freddie.

A libertarian economist and senior aide to Vice President Mike Pence, Mr. Calabria faced questions from lawmakers over his past calls for modifying the foundations of the U.S. mortgage market. While working at the libertarian think tank the Cato Institute from 2009 to 2017, Mr. Calabria advocated for curtailing government support for 30-year fixed-rate mortgages that account for approximately 90% of new home loans, according to Mortgage Bankers Association data.

“These positions contradict what we have heard from housing stakeholders who have appeared before this committee over the past four years,” said Ohio Sen. Sherrod Brown, the panel’s top Democrat, referring to the nominee’s criticism of 30-year mortgages and other stances over the years.

Mr. Calabria on Thursday distanced himself from leaked comments by acting FHFA chief Joseph Otting last month asserting that Mr. Calabria was supportive of a coming administration framework to end the decadelong government conservatorship of Fannie and Freddie. Mr. Calabria said he was unaware of any specific proposal, saying he wasn't involved in the administration's housing-finance matters while his nomination is pending.

The White House issued a statement in late January playing down some of Mr. Otting's comments and said the administration would work with Congress on any plan—a point Mr. Calabria stressed Thursday.

The nominee told the lawmakers in prepared remarks that his goal, if confirmed, is to “carry out the clear intent of Congress, not to impose my own vision.

Fannie and Freddie don't make loans but instead buy them from lenders and package them as bonds. Their middleman role makes the 30-year fixed-rate mortgage more widely available by matching banks and other lenders with investors, such as pension funds that are willing to manage the interest-rate risk associated with long-term, fixed-rate mortgages.

Mr. Calabria said that if he is confirmed, he would take no steps to curtail Fannie and Freddie's purchases of 30-year loans, in response to a question from Sen. Chris Van Hollen (D., Md.). Mr. Calabria himself has such a loan on a District of Columbia property purchased in 2010, according to his nomination disclosures.

Jim Parrott, a former Obama administration housing adviser who is now an industry consultant, said the fact that Mr. Calabria has such a loan demonstrates its value. “It's not inconsistent that Mark would take advantage of the availability of a government-backed 30-year [mortgage] more than it would be for Bernie Sanders to pay only as much taxes as he owes. But it is a bit ironic.”

The nominee wrote in a 2011 article titled “Housing Market Will Be Fine without 30-Year Fixed Loans” that 30-year mortgages' dominance is risky. He said shorter loan durations would be better given that the typical mortgage today has a life of about five years, while homeowners stay in their houses less than a decade on average. He acknowledged in the article that if the government pulled back from its support for 30-year loans, mortgage rates would increase, but he said the uptick would be small. Most housing experts say any effort to overhaul Fannie and Freddie should preserve government backing for 30-year, fixed-rate mortgages.

Administration officials say Mr. Calabria's nomination should be judged by the totality of his career, which includes working for the Senate banking panel, the Department of Housing and Urban Development and the National Association of Realtors. “Dr. Mark Calabria is a highly regarded expert on housing and housing finance,” said White House spokeswoman Lindsay Walters.

In the Senate, Mr. Calabria also helped draft legislation that established the FHFA in 2008, shortly before the crisis.

Democrats who have privately met with Mr. Calabria describe him as smart and personable. Still, most are unlikely to support him. “There is nothing in Dr. Calabria's record that leads me to believe that he will protect consumers in the housing market,” Mr. Brown said before the hearing.

Republican support for Mr. Calabria is expected to be strong in the GOP-led Senate, making him likely to be confirmed in the coming months.

“Over the course of his public service career, Dr. Calabria has a long history of working across the aisle to deliver meaningful, lasting reforms,” said Senate Banking Committee Chairman Mike Crapo (R., Idaho).

Corrections & Amplifications

Sen. Mike Crapo (R., Idaho), is chairman of the Senate Banking Committee. An earlier version of this article omitted his first name and that title on first reference. (*Feb. 14, 2019*)