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Senate poised to confirm Fannie, Freddie critic to lead agency overseeing them

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The Senate on Thursday moved closer to confirming Trump nominee Mark Calabria, a major critic of the housing finance system, to head the agency that oversees the mortgage giants Fannie Mae and Freddie Mac.

As head of the Federal Housing Finance Agency, Calabria, an advocate for reducing government involvement in mortgage financing, will lead point for administration efforts to overhaul the multi-trillion dollar market.

The upper chamber voted 53 to 46 early Thursday afternoon to end debate on Calabria's nomination. Senators are expected to vote on final confirmation later Thursday.

Calabria will move to the role from his current post as chief economist to Vice President Mike Pence. Previously, he served as director of financial regulation studies at the libertarian Cato Institute. Calabria also spent time as a Republican aide on the Senate Banking Committee and as a deputy assistant secretary for the Department of Housing and Urban Development during the Bush administration.

In the past, Calabria has advocated for a dramatic reshaping of the housing finance system to scale back the federal government's role and avoid a meltdown similar to the 2008 financial crisis. As FHFA director, he would have broad authority to enact much of that vision, though Congress also plans to weigh in this year or next through a housing finance reform effort.

Calabria's main focus during his five year term as FHFA director will be how to reform the government-sponsored companies Fannie and Freddie, which were placed under FHFA control as a result of the 2007-2008 real estate market meltdown that precipitated the financial crisis.

Calabria has supported breaking up Fannie and Freddie, as well as setting a higher minimum credit score for mortgages, and dismantling much of the secondary mortgage market — generally blamed for a major role in the financial crisis — in favor of banks retaining home loans on their books.

His past advocacy conflicts with the interests of the banking industry and housing advocate groups, who have warned that free market reforms may increase the cost of loans for low-income individuals.

Calabria backed off several of those positions during a confirmation hearing before the Senate Banking Committee in February. Calabria instead emphasized that as FHFA director he would seek to increase the amount of capital Fannie and Freddie have to keep on hand in case of

another downturn in the housing market, rather than try to shrink them administratively, and that he would preserve the 30-year fixed-rate mortgage, which typically allows for lower interest rates than shorter-term housing loans. He added that he would work with Congress to reach a compromise on what comprehensive housing finance reform would look like.

"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 during February's hearing. "I believe that we do need a vibrant secondary market for the 30-year mortgage."

"I have one myself, I'd like to keep it," he later said.