

# Bloomberg

## Trump Considering Pence Aide for Fannie-Freddie Regulator

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The Trump administration is considering nominating economist Mark Calabria to run Fannie Mae and Freddie Mac's regulator, a position that has major implications for the \$10 trillion U.S. mortgage market.

Calabria is a leading candidate to replace Federal Housing Finance Agency Director Mel Watt, a Barack Obama appointee who has led the regulator since President Donald Trump took office, several people familiar with the matter said. Calabria is currently Vice President Mike Pence's chief economist.

Calabria would be considered a controversial choice as he has previously advocated for conservative policies that would dramatically reduce the government's role in housing. Among the ideas he has pushed for are putting Fannie and Freddie into receivership, a process similar to bankruptcy. The mortgage-finance companies have been under federal control since the 2008 financial crisis.

Calabria, a former scholar at the libertarian Cato Institute, has also called for abolishing the mortgage-interest deduction, something millions of homeowners benefit from. In addition, he has supported getting rid of the 30-year fixed rate mortgage.

Watt's term ends in early January, and the Trump administration has discussed installing an interim FHFA chief while it awaits Senate approval of a permanent nominee, the people said. That person would have to have already been confirmed by the Senate. Candidates to run the FHFA temporarily include Comptroller of the Currency Joseph Otting, some of the people said. Otting would remain OCC chief while leading the FHFA, the people said.

Whoever Trump picks for the FHFA will have significant influence over the housing finance market. The FHFA director can affect mortgage rates by ordering Fannie and Freddie to raise or lower certain fees they charge lenders. Its leader also can restrict the size of home loans that Fannie and Freddie can buy, leaving such borrowers to get their mortgages financed through the private market.

Fannie and Freddie don't lend. Instead, they underpin the housing market by buying mortgages from banks, packaging them into securities and offering bond investors guarantees in case borrowers default.