



Nominee may bring needed discussion

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A hallmark of President Trump's administration so far has been to put certain regulatory agencies under the control of their longtime critics. Scott Pruitt got (and later resigned from) the top job at the Environmental Protection Agency; Mick Mulvaney ran the Consumer Financial Protection Bureau before giving way to his former aide Kathy Kraninger. On Dec. 11, the president tapped Mark Calabria to run the agency that not only regulates but also directly operates the giant federal housing finance entities — Fannie Mae and Freddie Mac— under a special law designed to cope with the 2008 financial crisis. Mr. Calabria, currently the chief economist for Vice President Pence, has a long record of opposing not only the way Fannie Mae and Freddie Mac do business but also their very purposes.

Is this another fox-in-the-henhouse situation? The liquidity that Fannie and Freddie provide — by purchasing home loans and packaging them into bonds for resale — enables lenders to provide a 30-year fixed-rate home loan. Mr. Calabria, a free-market purist previously affiliated with the libertarian Cato Institute, has questioned the sustainability of that mortgage product and, therefore, the propriety of having the federal taxpayer implicitly subsidize it. As director of the Federal Housing Finance Agency (FHFA), Mr. Calabria would, at least on paper, have wide power to reduce Fannie and Freddie's roles in mortgage support, a fact that worries affordable-housing advocates and their allies on Capitol Hill. Sen. Mark R. Warner (Va.), a Democrat on the Senate Banking Committee, has already voiced "serious concerns" about Mr. Calabria's nomination.

Nevertheless, to the extent Mr. Calabria is calling for a fundamental reconsideration of two entities which did, after all, collapse under stress at great taxpayer expense, he is neither inherently wrong nor, among housing experts, alone. There are real constraints on the FHFA director's ability to do anything radically disruptive with his powers. Those constraints are legal, economic and political; the latter category includes the facts that the incoming House Financial Services Committee chairwoman, Maxine Waters (D-Calif.), is a strong defender of Fannie and Freddie's missions, and that Mr. Trump himself would not be eager for a shock to housing before the 2020 election. In any case, there are bigger threats on the horizon: Wall Street investors who own the two entities' depressed stock continue to agitate for a form of privatization that would restore Fannie and Freddie to the pre-crisis status quo, in which stockholders absorbed all the profits and taxpayers were on the hook for excessive risk-taking.

All sides in the housing policy debate should remember that Mr. Calabria's nomination would not be such a potential watershed, and might not have occurred at all, if Congress had acted years ago on previous bipartisan proposals to replace Fannie and Freddie and to limit federal exposure

to housing risk. If putting Mr. Calabria in charge of Fannie and Freddie would indeed endanger housing, the way to avoid the danger is to end federal control through a balanced, sustainable and permanent legislative fix to the system. From the Trump administration, the Calabria nomination is a provocative move, but if it provokes serious discussion about the most important unfinished business of the financial crisis, it may prove to be a positive move as well.