



Trump asks agencies for plan to overhaul Fannie and Freddie

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President Trump asked his administration Wednesday to come up with a plan for overhauling the bailed-out mortgage giants Fannie Mae and Freddie Mac.

Trump signed a memorandum requiring the Treasury and the Department of Housing and Urban Development to present him with plans to overhaul the housing finance system "as soon as practicable."

"[I]t is time for the United States to reform its housing finance system to reduce taxpayer risks, expand the private sector's role, modernize government housing programs, and make sustainable home ownership for American families our benchmark of success," the memo says.

A White House notice said that the administration wishes to work with Congress, rather than pursuing a purely administrative reform to Fannie and Freddie.

The two government-sponsored enterprises, which back trillions in home loans, have been in the government's hands since being bailed out in 2008.

Congress has failed to pass legislation to resolve their bailed-out status and either reform the housing finance system to eliminate them or release them back into the private sector.

Since before taking office, Treasury Secretary Steven Mnuchin has said that he aims to remove Fannie and Freddie from government custody, but the administration so far has not moved to do so.

Wednesday's memo calls on the Treasury to draw up a plan for releasing Fannie and Freddie back into the private sector as regulated entities, rather than shuttering them, and allowing competitors. The memo calls for preserving access to 30-year, fixed-rate mortgages, which many in the banking and housing industries say only exist because of the government backstop for mortgage-backed securities provided by Fannie and Freddie.

The memo doesn't say whether the new system should include a government guarantee for mortgage-backed securities, a backstop opposed by many conservative Republicans. But it does say that, if such a guarantee is set up, the government should be fairly compensated it.

Separately, the memo calls for HUD to report on the possibility of reforming the Federal Housing Administration to reduce the risk in lending to first-time homebuyers.

The directive is meant to get administration officials to provide both proposals for regulatory reforms and legislative proposals.

Trump has nominated a libertarian critic of the housing finance system, former Cato Institute scholar Mark Calabria, to run the Federal Housing Finance Agency, which oversees Fannie and Freddie. Calabria has been serving as an economist for Vice President Mike Pence.

Meanwhile, Senate Banking Committee Chairman Mike Crapo, R-Idaho, has outlined his own plans to reform Fannie and Freddie. The committee held hearings on a potential overhaul Tuesday and Wednesday.