

## Freddie Mac: A Bottomless Pit Of Taxpayer Losses?

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Housing Crisis: Government mortgage company Freddie Mac lost an additional \$6 billion in the third quarter and wants Congress to bail it out with taxpayers' money. How about dissolving the failed institution instead?

Freddie Mac is an almost bottomless pit of financial malfeasance. Last year alone it lost \$19.8 billion. Taxpayers have so far been drained of as much as \$169 billion to save Freddie Mac and Fannie Mae, its federal sister that has also been a bust.

Washington estimates they could burn through another \$51 billion by the end of 2014.

The anti-capitalists blame Wall Street for the housing meltdown. But Freddie and Fannie are at the heart of the mess. They bought bundles of toxic mortgages from other lenders, which government coerced to make loans to borrowers with shaky credit.

As much as 30% of the loans Freddie and Fannie bought could be regarded as subprime.

The pair was also, Cato Institute analyst Mark Calabria wrote earlier this year, "the largest single investor in subprime private label mortgage-backed securities.

"During the height of the housing bubble, almost 40% of newly issued private-label subprime securities were purchased by Fannie Mae and Freddie Mac."

Freddie and Fannie literally became dumping grounds for the bad loans private lenders had to make in order to comply with government regulations. But both also had their own federal rules to deal with.

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"Beginning in 2001," according to Calabria, the Housing and Urban Development Department "increased the low- to moderate-income goals" for Freddie and Fannie "significantly, raising them from 42% to 50%" of their portfolios

But aren't Freddie and Fannie needed to keep the home mortgage market healthy? No. Left alone, this market can function efficiently. In fact, a strong case can be made that it would be better off without them.

"If Fannie and Freddie cease to exist," Real Clear Markets editor John Tamny wrote in February, "the markets for credit will be less distorted on the way to a more growth-

oriented environment in which the best concepts — as opposed to those most politically connected — will attract investment."

Taxpayers would be better off, too. They wouldn't have to pay for the mistakes made by lawmakers, who socialize the cost of their failed policies for personal political gain.

Abolishing Freddie Mac would be a strong first step in getting Washington out of housing altogether.