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US FHFA:Not Considered Limits on Foreign CB GSE Holdings**LENGTH:** 443 words**DATELINE:** WASHINGTON

By Yali N'Diaye

The regulator of mortgage giants Fannie Mae and Freddie Mac has not considered the idea of limiting or barring holdings of government-sponsored enterprises by foreign central banks, a spokeswoman told Market News international Wednesday.

During a March hearing by the House Financial Services Committee on housing finance, **Cato Institute** Director of Financial Regulation Studies Mark Calabria -- one of the witnesses -- recommended to "Limit or bar holdings of GSE debt by foreign central banks."

The question was not raised, however, by lawmakers.

Asked whether the Federal Housing Finance Agency is supporting such an option, a spokeswoman told MNI, "We have not considered such an idea."

As Congress and the administration are reconsidering the future of housing finance, there is confusion as to the status of the GSE debt, and whether it should be considered as sovereign or not.

To that effect, House Rep. Scott Garrett sent a letter in March to Treasury Secretary Timothy Geithner requesting that clarification.

"It seems obvious to me that Congress and the financial markets should consider the combined \$1.6 trillion of debt issued by Fannie Mae and Freddie Mac as backed by the full faith and credit of the United States," Garrett said in his letter. "Furthermore, if this is true, should the GSEs' corporate debt be subject to the statutory debt ceiling?"

Cato's Calabria had told MNI that should the government decide not to allow foreign central banks to take losses on GSE debt, "then we need to treat that as Treasury debt," which would be "on budget."

And if the Treasury decides not to hold GSE debt on budget, then "we need to not allow sales to foreign entities," he said.

A Freddie Mac spokesman told MNI, "I have not heard that idea floated before," referring to limits or a ban on holdings of GSE debt by foreign central banks.

A Fannie Mae spokesman declined to comment.

In any case, the administration is unlikely to address or unveil details about possible future operations and activities of the two GSEs before clear goals are set for the entire housing finance system, especially for the secondary mortgage market.

And for now, given the central role played by Fannie Mae and Freddie Mac in the government's programs to help homeowners and support the housing market, the administration is not rushing to define such new goals.

In fact, Geithner himself has indicated that it would take months to assess the scope of the problems and start considering alternatives to Fannie Mae and Freddie Mac's conservatorship and the current housing finance system in general.

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