



[Print](#) | [Close this window](#)

House Committee To Recommend Dismantling Of Fannie Mae And Freddie Mac -- Update

1/22/2010 4:27 PM ET

The House Financial Services Committee plans to abolish the housing giants Fannie Mae (FNM) and Freddie Mac (FRE), according to committee chairman Rep. Barney Frank, D-Mass.

Frank said Friday that the government sponsored entities, which were taken over by federal regulators during the depths of the housing crisis, could not continue in their present form.

"The committee will be recommending abolishing Fannie Mae and Freddie Mac in their current form and coming up with a whole new system of housing finance," he said. "That's the approach, rather than a piecemeal one."

Fannie Mae and Freddie Mac, which between them own or guarantee more than \$5 trillion in residential mortgage debt, have received more than \$110 billion in federal aid since being taken over by regulators in September.

Some economists, however, were skeptical of Frank's pronouncement.

Steve Hanke, a professor of economics at Johns Hopkins University and a senior fellow at the free-market Cato Institute, told RTTNews that Frank had previously claimed to have fundamentally altered the nature of the mortgage giants.

"Now he wants to take another bite from those rotten apples," Hanke said in an email. "If he truly was able to abolish Fannie and Freddie, the frequency and size of housing bubbles would be reduced."

He added, "Then, people would finance their home purchases with an amortizing mortgage that required a reasonable down payment."

Speaking on the PBS show NewsHour, Treasury Secretary Timothy Geithner also pledged "substantial" reforms for the mortgage giants in coming years.

"We are committed to propose a set of detailed reforms beginning this year," Geithner said, according to the transcript. "I don't think we're going to be able to legislate that until that process can start until next year, because it's just a complicated thing to get right."

He added, "We are completely supportive and agree completely with the need to make sure that we take a cold, hard look at what the future of those institutions should be in our country."

Copyright © 2010 RTTNews.com, Inc. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without prior written consent of RTTNews.