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Fannie and Freddie Weren't Pushed into the Muck, They Dove Headfirst

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There is more wishful thinking than fact in Mark Olson's account of how Fannie Mae and Freddie Mac's affordable housing goals helped cause their downfall [["Banks Still Need a Robust Secondary Mortgage Market,"](#) March 10].

Olson writes that the government-sponsored enterprises "expanded the risk parameters on their mortgage underwriting," because they had to meet congressionally mandated affordable housing goals. To the contrary, multiple, independent federal reports have disclosed how often the GSEs "gamed" the goals to their benefit, with their regulators' complicity.

As HUD Secretary Shaun Donovan told Congress last year, Fannie Mae and Freddie Mac purchased only a third of the safe mortgages that were available to them to satisfy their affordable housing goals. He testified "some have argued that these goals were a principal cause of Fannie and Freddie's collapse and subsequent losses. But this argument is simply not supported by the facts ... one of the primary factors driving GSE losses was the desire to recapture market share and increase profits."

Former Treasury Department Assistant Secretary for Financial Institutions Michael Barr said it even more forcefully when he told the Mortgage Bankers Association that "affordable housing goals did not drive the GSEs to the poor decisions that caused them to fail. The GSEs relaxed standards for the same reasons other market participants relaxed standards: old-fashioned greed and flawed regulation."

In the book "All the Devils Are Here," by Joe Nocera and Bethany McLean, Fannie Mae executives are reported as bragging about writing "the housing goals ... in such a way they had no teeth" and that Fannie Mae "preferred to game their housing goals rather than meet them, using methods that Fannie Mae internally referred to as 'stupid pet tricks.'" This, even though "a mortgage made to the average American family counted towards the purported goals." The authors also report that retired Fannie Mae CEO David Maxwell, who left the company in 1991, "concede[d] with great sadness, that Fannie Mae has forgotten a simple question: Why are we here?"

The bottom line is that Fannie Mae and Freddie Mac didn't help finance a high-cost, explosive subprime mortgage market because the federal government forced them to do it. They jumped into that pool headfirst, and they drowned.

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Editor's Note: The author headed government relations at Freddie Mac in the 1980s.

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