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NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LEADERS

December 23, 2011
The Editor
The Wall Street Journal
1211 Avenue of the Americas
New York, NY, 10036

To the Editor,

Peter Wallison (“The Financial Crisis on Trial, December 21, 2011,”) misconstrues Fannie Mae and Freddie Mac’s affordable housing goals as “quotas” in an effort to blame Federal housing policy for the mortgage meltdown. In fact, the 1992 Federal law he cites didn’t force Fannie Mae and Freddie Mac to “comply with ... quotas” when they purchased loans from banks and other mortgage originators. Congress allowed the GSEs to “take less than the return earned on other activities” to finance mortgages for average income homebuyers. Unfortunately, the GSEs *used the goals as cover* to maximize profits at the expense of mission. They took advantage of borrowers and extracted more of a return by pumping capital into a higher-cost, unregulated subprime market, the implosion of which *did* play a significant role in the housing bust.

Why did the GSEs do it? Federal Financial Analytics’ Karen Petrou reviewed the recent SEC filing against former Fannie Mae and Freddie Mac CEOs and concluded: “... the facts in the [SEC] filings also support a clear conclusion that, sin though the [GSE] CEOs did, the affordable-housing goals didn’t make them do it. Instead, it was – guess what – the money.”

Sincerely,

Judy Kennedy
President and CEO
Washington, DC

The author headed government relations at Freddie Mac in the 1980s.



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