

# N A A H L

**NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS**

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## **“CHASING PROFIT” GOT FANNIE MAE & FREDDIE MAC INTO TROUBLE, NOT THEIR AFFORDABLE HOUSING GOALS**

**Washington, April 30, 2010** – The Administration has finally set the record straight about how Fannie Mae and Freddie Mac got into financial trouble, with HUD Secretary Shaun Donovan telling Congress recently that the GSEs were “chasing profits” – not fulfilling their affordable housing goals – when they financed billions in high-cost subprime and Alt-A mortgages during the housing boom, according to the National Association of Affordable Housing Lenders (NAAHL).

Critics and former executives of the two companies themselves have erroneously blamed Fannie Mae and Freddie Mac’s affordable housing goals for the GSEs’ losses before they were placed into Federal conservatorship in 2008.

Secretary Donovan, in testimony (click [here](#) to read the testimony) before the House Financial Services Committee, affirmed NAAHL’s long-standing position that Fannie Mae and Freddie Mac’s affordable housing goals had nothing to do with their problems, which he attributed primarily to “the desire to recapture market share and increase profits.” He added in his oral testimony that “the GSEs only purchased one-third of the ‘safe’ mortgages that were available to them to satisfy their affordable housing goals”.

Michael Barr, the Treasury Department’s Assistant Secretary for Financial Institutions, also said in a speech (click [here](#) to read the speech) to the Mortgage Bankers Association, “Affordable housing goals did not drive the GSEs to the poor decisions that caused them to fail.”

“Fannie Mae and Freddie Mac didn’t finance a high-cost, explosive subprime mortgage market because the Federal government forced them to do it,” said NAAHL President Judy Kennedy. “They jumped into that pool head first.”

Secretary Donovan also emphasized that “The affordable housing mandates under the current system spurred innovations that have promoted responsible homeownership among lower-income families. We must be careful to ensure that the incentive structures in a reformed housing finance system do not retard the development of such innovations.”

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*NAAHL represents America’s leaders in moving private capital to those in need, 100 organizations committed to increasing lending and investing private capital in LMI communities. This “who’s who” of private sector lenders and investors includes major banks, blue-chip, non-profit lender CDFIs, and others in the vanguard of affordable housing.*

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NAAHL has for years chronicled Fannie Mae and Freddie Mac's decisions to finance high-cost mortgages at the height of the housing boom. Instead of taking less of a return to finance responsible 30-year fixed rate loans, as authorized by a 1992 Federal law, the companies decided to take advantage of borrowers and extract more of a return by pumping capital into a higher-cost, unregulated subprime market that soon imploded. The GSEs issued over \$400 billion in GSE debt to finance higher-cost, higher yielding subprime mortgages, borrowing at near-Treasury rates to finance half of all subprime mortgages originated in 2004-2006. The GSEs then loaded up on other high-yielding Alt-A mortgages in 2007.

“The sad thing is Fannie Mae and Freddie Mac themselves have reported that one-third to one-half of subprime mortgage borrowers could have qualified for safer, lower-cost prime loans,” Kennedy said. “Rather than helping families buy homes with responsible, conventional mortgages, the GSEs effectively financed at least 40 percent of all subprime and Alt-A mortgages.”