

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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GSEs DIDN'T NEED FEDERAL NUDGE TO PICK PROFIT OVER AFFORDABLE HOUSING SUPPORT

Washington, April 8, 2010 – Former Federal Reserve Chairman Alan Greenspan, in his testimony Wednesday before the Financial Crisis Inquiry Commission about the causes of the financial crisis, was right when he called Fannie Mae and Freddie Mac “jumbo hedge funds” intent on “maximizing corporate profit” when they purchased billions in mortgage-backed securities backed by high-cost subprime loans during the housing boom, according to the National Association of Affordable Housing Lenders (NAAHL).

“But Chairman Greenspan was wrong when he said the GSEs were ‘pressed by government policy’ to create market demand for risky, high-cost loans,” said NAAHL President and CEO Judy Kennedy. “The truth is Fannie Mae and Freddie Mac chose to maximize their margins at the expense of their affordable housing missions.”

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.”

The New York Times has also chronicled how the GSEs helped finance the purchase of large “affordable” apartment complexes in New York City by private equity firms which intended to force out lower income tenants in favor of wealthier occupants.

“By financing explosive mortgages and predatory landlords rather than really supporting the affordable housing rental market, Fannie Mae and Freddie Mac displayed their true colors,” Kennedy said. “You can put lipstick on a pig, but it’s still a pig.”

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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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