

Mark Calabria takes reins at FHFA

## Former Cato Scholar Pushes Privatization of Fannie and Freddie

Mark Calabria, former director of financial regulation studies at the Cato Institute, was confirmed by the Senate in April to be the director of the Federal Housing Finance Agency (FHFA). Before his confirmation, Calabria had been serving as chief economist to Vice President Mike Pence, a position he left Cato to accept in 2017.

The FHFA is an independent agency that regulates Fannie Mae and Freddie Mac, the 2 government-sponsored enterprises at the center of the



secondary mortgage market, and the 11 regional Federal Home Loan Banks.

In an interview with the *Wall Street Journal* (“Administration Nears Plan to Return Fannie, Freddie to Private Ownership,” May 30, 2019), Calabria outlined his intention to put the two agencies on a firmer financial footing before proceeding with full privatization. Calabria thinks such a plan could proceed as executive

action in lieu of a congressional overhaul of the agencies, which received controversial bailouts during the 2008 financial crisis.

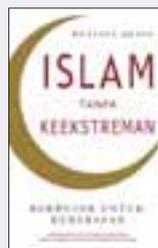
Fannie and Freddie function by bundling mortgages and selling the bundles to investors as mortgage-backed securities. In theory, the value they add to this process is performing due diligence on the underlying mortgages to ensure that they are fit for safe investment. In practice, however, this diligence has often been lacking. Subject to political pressure to expand homeownership, Fannie and Freddie played a central part in fueling the bubble in mortgage-backed securities that led to the 2008 crash.

Cato analysts have long advocated privatizing Fannie and Freddie, getting the federal government to stop putting its thumb on the scale in the mortgage market. The agencies’ financial entanglement with the federal government has gone both ways. Not only were Fannie and Freddie bailed out by the federal government in 2008, but also, in 2012, the Obama administration used their profits in the recovering market to reduce the reported federal budget deficit heading into that year’s presidential election. ■

**STUDIES AND COMMENTARY ON FANNIE AND FREDDIE, INCLUDING SEVERAL WORKS BY MARK CALABRIA DURING HIS TIME AT CATO, CAN BE VIEWED AT CATO.ORG.**

## Cato News Notes

### MALAYSIA BANS CATO SCHOLAR’S BOOK



The government of Malaysia has banned Cato senior fellow Mustafa Akyol’s book *Islam Without Extremes* after the author was arrested and briefly detained by the nation’s religious police in 2018. In response, Cato has made the Malay-language edition of the book available for free on the Institute’s website.

### ANNUAL REPORT RECEIVES DESIGN AWARD

The Cato Institute’s 2018 Annual Report was honored with the Award of Excellence from the Printing and Graphics Association Mid-Atlantic. The report can be viewed on [cato.org](http://cato.org) and features information about the Institute’s activities and finances. A copy is also provided to Cato Sponsors.

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