

Fannie, Freddie to Suffer Under New Rule, Frank Says

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By James Tyson

Fannie Mae and Freddie Mac would suffer financially under a Bush administration requirement that they channel more mortgage financing to people with low incomes, said the senior Democrat on a congressional panel that sets regulations for the companies.

The new rule compels the companies to put 57 percent of their mortgage financing by 2008 toward homes for people with incomes no greater than area median income. Fannie Mae and Freddie, the two largest U.S. mortgage finance companies, must currently meet a 50 percent threshold.

The White House "could do some harm if you don't refine the goals," said Representative Barney Frank, a member from Massachusetts on the House Financial Services Committee. Frank's comments echo concerns of executives at the government-chartered companies that the new goals will undermine profits and put new homeowners into dwellings they can't afford.

"At their outer edges they become counterproductive –there are not loans to make that will get repaid," Freddie Mac Chief Executive Richard Syron said Monday in an interview, referring to the new financing rule.

Frank said the administration is aiming to reduce the role of the two companies in mortgage financing, and has seized on the higher goals "as a useful stick by which to beat Fannie and Freddie."

HUD Defends Rule

Alphonso Jackson, secretary of Housing and Urban Development, said the Bush administration has no hidden motives in seeking to raise the percentage of financing for low-income homeowners.

"There is no administration more supportive of Fannie and Freddie than we are," Jackson said today in interview. "We are just actualizing what should have been done years ago." An agency within HUD, the Office of Federal Housing Enterprise Oversight, regulates Fannie Mae and Freddie Mac, which own or guarantee about half the \$7.3 trillion U.S. mortgage market.

The housing guidelines, subject to a public comment period that ends on July 2, would

become law Jan. 1. Referring to both the White House plans and the coming presidential election, Frank said, "nothing can stop them except a change in November." He spoke at a news conference sponsored by the presidential campaign of Senator John Kerry of Massachusetts.

Frank and housing industry representatives such as Jerry Howard, chief executive of the National Association of Homebuilders, say the White House rules fail to focus financing on multifamily housing and other market segments. The regulations also don't address a decline in refinancing and other market changes, they said.

"We don't see how these goals in any way put Fannie Mae and Freddie Mac into specific types of affordable housing," Howard said.

The association, which represents Centex Corp., Toll Brothers Inc. and about 215,000 other companies in the housing industry, plans to ask for a 60-day extension of the public comment period, Howard said.

Referring to the housing goals and the two companies, Frank said, "we want to push them further, but it doesn't make sense to push them in an undifferentiated way."

Jackson said his critics should withhold judgment until after Jan. 1. "I don't see how people can say something is not going to work when we have not had a chance to implement it."