

REFORMING FANNIE AND FREDDIE: WHY IT MATTERS

REAL REFORM FOR FANNIE & FREDDIE

Current legislation needs to be amended in order for all investors – pensioners, community banks and individuals – to be repaid and create a solid platform for the mortgage market to thrive.

- Repayment Of Pensioners, Community Banks and Individuals Invested in Fannie and Freddie
- Stricter Lending Standards And Oversight Of Fannie And Freddie
- Affordable Housing Goals Reinstated & Upheld Under Stricter Oversight

GOVERNMENT INTERFERENCE IN HOUSING MARKET

In 2008, U.S. government bailed out Fannie Mae and Freddie Mac (Government-Sponsored Enterprises or GSEs) in an attempt to stabilize the housing market and the U.S. economy. **In March 2014, Fannie and Freddie will have repaid the taxpayers and are making tens of billions of dollars in profits.** Despite the taxpayers being made whole, plus interest, the U.S. Treasury continues to take 100 percent of Fannie and Freddie profits while **Fannie and Freddie shareholders are left with nothing.**

Legislators are seeking to reform the mortgage market system to make GSEs more accountable and to prevent a repeat mortgage crisis from happening in the future. **Flaws in current proposed legislation, such as Corker-Warner and Johnson-Crapo, fail to repay those who hold shares in the two enterprises including pensioners, community banks and individuals.**¹

It has recently been revealed in an internal Treasury memo that the Obama Administration never intended to repay investors yet continued to encourage investment in Fannie and Freddie by outside investors. This deliberate violation of market place rules not only qualifies as theft and market manipulation (securities fraud), but leaves millions of pensioners, community banks and individuals holding worthless paper.

2008

Federal Government Bails Out Fannie Mae And Freddie Mac With \$188 Billion Dollars²

2012

Federal Government Implements Plan To Take 100 Percent Profits Of Fannie And Freddie⁴

2010

Gov't Memo Devises Scheme To Freeze Out Private Investors (pension funds, community banks) *"The Administration's Commitment To Ensure Existing Common Equity Holders Will Not Have Access To Any Positive Earnings From The G.S.E.'S In The Future."*³

2014

Government & Taxpayer Repaid; Shareholders Hold Worthless Paper⁵

HOW CURRENT FANNIE/FREDDIE REFORM LEGISLATION FALLS SHORT

- Continues and Codifies Confiscation Of Investors' Funds By The U.S. Treasury
- Disrespects The Rule Of Law By Refusing To Repay Investors Or Follow Market Rules
- Creates Uncertainty In The Housing Market, Threatening The Stability Of The 30-Year Mortgage

¹ U.S. Senate, 113th Congress, 2nd Session, S.1217, *Housing Finance Reform and Taxpayer Protection Act of 2014*. Washington, Government Printing Office, 2014. (Title VI, Sec. 604).

² "Bailout Recipients," *ProPublica*, Accessed 3/6/14

³ Gretchen Morgenson, "The Untouchable Profits of Fannie Mae and Freddie Mac," *New York Times*, 2/15/14

⁴ "Analysis of the 2012 Amendments to the Senior Preferred Stock Purchase Agreements," *Federal Housing Finance Agency Office of Inspector General*, 5/20/13

⁵ Nick Timiraos, "Freddie Mac reports \$8.6 billion profit for fourth quarter," *Market Watch*, 2/27/14



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