Plymouth Institute for Free Enterprise

Privatize Federal Housing Enterprises

David R. Burton, Senior Fellow in Economic Policy
Rachel Greszler, Senior Research Fellow

ADVANCING AMERICAN FREEDOM

TOPLINE: The federal government should get out of the business of housing finance.

BACKGROUND: The federal government operates the Government National Mortgage Association (Ginnie Mae) and subsidizes two federally chartered government-sponsored enterprises (GSEs): the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). These entities were established to pursue the social goal of expanding home ownership. Explicit quotas imposed on Fannie Mae and Freddie Mac to promote "affordable" housing and finance low-income and moderate-income mortgages contributed to the housing finance collapse between 2007 and 2009. Following the financial crisis, Fannie Mae and Freddie Mac were placed into conservatorship under the Federal Housing Finance Agency (FHFA). Consequently, what started out as federal interventions to expand home ownership has required almost $200 billion of capital injections from taxpayers, and taxpayers now provide guarantees for $7.8 trillion—nearly half—of all single-family residential home mortgages.

As the government's housing finance enterprises have expanded in size and influence, they have distorted the market for home financing and increased costs and risks for taxpayers. Affordable and sustainable housing opportunities are best achieved through the private lending market. To enable more private capital to return to the housing finance system, Congress should wind down the public operations of Ginnie Mae, Fannie Mae, and Freddie Mac, ending all new mortgage securitizations, and gradually liquidate their existing portfolios over roughly five years.

Action Items (Congress):

- **Privatize Ginnie Mae** and make it clear that it does not enjoy government backing.
- **Remove Fannie Mae and Freddie Mac from conservatorship, privatize them,** and make it clear that they do not enjoy government backing.

How It Would Make Life More Affordable:

- Historically, everything the government gets into the business of financing—housing, health care, college—becomes less affordable over time.
- Government guarantees drive up housing costs by inflating housing demand.
- Government guarantees encourage excessive risk that leads to taxpayer bailouts.

Related Legislation: End of GSE Conservatorship Preparation Act of 2025 (H.R. 1209).

BOTTOMLINE: Taxpayers should not be the backstop for $7.8 trillion in mortgage debt.