

A Vital Mortgage Market Needs Fannie Mae, Freddie Mac

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A secondary mortgage market model that includes some level of government participation is necessary to ensure affordable and available home mortgages. That is the message the National Association of Realtors® delivered during a House Financial Services Subcommittee hearing today.

“Fannie Mae and Freddie Mac serve an important role in expanding homeownership and providing a solid foundation for our nation’s housing financial system,” said Realtor® Frances Martinez Myers, who spoke on behalf of NAR. “Unlike private secondary market investors, Fannie and Freddie remain active in housing markets during downturns, using their federal ties to facilitate mortgage finance and support homeownership opportunities for all qualified borrowers.”

By providing capital for mortgage finance during disruptive and down markets, these government-sponsored enterprises are vital to the success of the nation’s housing system. “As the market turmoil reached its peak in late 2008, it became apparent that the role of the GSEs, even in conservatorship, was of utmost importance to the viability of the housing market, as private mortgage capital effectively fled the marketplace,” Martinez Myers said.

Fannie Mae and Freddie Mac help ensure that home buyers have access to fair and affordable mortgages, which in turn stimulates real estate transactions and supports the larger economy. “If no government-backed entity had existed as private mortgage capital dried up, the housing market would have come to a complete halt and thrown our nation into a deeper recession, or even a depression,” said Martinez Myers.

A thriving U.S. housing market and economy will require a secondary mortgage market with safe, sound and dependable participants. NAR shared with Congress a set of principles for ensuring a robust financing environment for homeownership. These principles include facilitating the flow of capital into the mortgage market, in all conditions; requiring institutions to pass on the advantage of lower borrowing costs to qualified borrowers; mandating sound underwriting standards; and providing rigorous oversight to protect taxpayers.

“We believe that the principles we have set forth today will help Congress and our housing partners design a secondary mortgage model that will be in all of our best interests, now and in the future. We look forward to working with Congress and the Obama administration in ensuring a strong housing market and a full economic recovery,” Martinez Myers said.