

Trump Says Fannie, Freddie Will Buy Bonds

By Gina Heeb , Veronica Dagher and Rebecca Picciotto

President Trump said the government-backed mortgagefinance companies Fannie Mae and Freddie Mac would buy \$200 billion in mortgage bonds, part of a broader effort by the president to address a sharp rise in the cost to own a home.

"It is one of my many steps in restoring Affordability, something that the Biden Administration absolutely destroyed," Trump posted on social media.

There were few details provided on how the purchases would be executed or when. The Wall Street Journal previously reported that Federal Housing Director Bill Pulte had allowed Fannie and Freddie to step up purchases of mortgage-backed securities.

The companies used to buy securities regularly before the 2008-09 financial crisis. Severe problems in the subprime mortgage business triggered enormous losses on those securities across Wall Street and were a reason the government had to take over Fannie and Freddie.

One of the few things that united Obama-era Democrats and Tea Party Republicans after the financial crisis was agreement that Fannie and Freddie's massive "retained portfolios"—quasi hedge funds grafted onto their core mortgage insurance business—had been a major problem. At their peak, each company held more than \$900 billion in mortgage-related investments.

Today, Fannie and Freddie are each allowed to hold up to \$225 billion of mortgagebacked securities. They only hold a combined \$247 billion as of November.

"There is no question" that resuming this strategy would have downward pressure on mortgage rates, said David Dworkin, chief executive of the National Housing Conference. He estimated that the decrease could be a quarterpercentage point or more.

Mortgage rates have hovered just under 6.2% in recent weeks.

The move comes as Trump considers public offerings of Fannie and Freddie, which have been under government control since the 2008-09 financial crisis. Some in the administration hope that mortgage- bond purchases could also boost earnings ahead of a potential initial public offering, according to people familiar with the matter. The Federal Housing Finance Agency oversees Fannie and Freddie.

The U.S. housing market has been stuck in a rut over the past few years. Home sales have fallen to their lowest level since the mid-1990s, while the cost of homeownership has become a bigger problem for millions of Americans.

Home prices are up more than 50% nationally since 2019, and the median existinghome price in November rose to \$409,200. Mortgage rates, which fell to below 3% in 2021, are now more than double that rate.

Trump is moving aggressively this year to try to address the housing crisis. It is too soon to say how effective any of Trump's proposals will be, and whether he can enact them without congressional approval.

He said this week that he would ban large investors from buying single-family homes, the administration's first significant move to address the country's severe housing shortage.

In March, the administration started a task force to open federal lands for housing development, but little progress has been made on that plan.

Officials also floated the idea of a 50-year mortgage, though housing economists said such a move would come with risks to home buyers.

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