

Finance chief Pulte grants more mortgage spending

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THE ASSOCIATED PRESS

WASHINGTON>> President Donald Trump's federal housing finance director, Bill Pulte, quietly granted government-backed lenders the authority to nearly double a \$200 billion bond purchase that Trump ordered to try to lower mortgage rates, a move that could introduce a new level of risk for the companies.

An email obtained by The Associated Press that was sent by the Federal Housing Finance Agency to top officials at Fannie Mae and Freddie Mac eliminated caps that prohibited the lenders from each holding more than \$40 billion in mortgage bonds. The Jan. 12 email says that "effective immediately" the new amount of mortgage bonds that they could hold in their portfolios was raised to \$225 billion apiece.

If the mortgage buyers were to act on the full extent of this new authority, that would amount to an approximately \$170 billion increase in bond purchases over what the president instructed them to buy. Neither Pulte nor the FHFA addressed questions about whether Trump or Treasury Secretary Scott Bessent was consulted before the increase was enacted.

The changes to the purchasing rules effectively reverse nearly two decades of bipartisan consensus that limits should be imposed after the government had to bail out Fannie Mae and Freddie Mac in the aftermath of the financial crisis of 2008-09, which led to both being placed into a government conservatorship.

Before this story was published, Pulte took to X, calling it "fake news."

"FHFA simply gave each entity legal flexibility to go beyond their previous caps," Pulte wrote Friday, adding that despite the lenders' new bond purchasing authority, they would not "exceed \$200 billion."

After the story was published, the agency put out additional statement saying that "Fannie and Freddie will not be allowed to go beyond the president's buy."

The White House, Fannie Mae and Freddie Mac did not respond to requests for comment. The Treasury Department in a statement said Pulte has been "collaborative and transparent" in working with the department. The statement did not address the bond purchases.

Some members of Congress who were closely involved in the fallout from the financial crisis have raised concerns about Pulte and the Republican administration's new approach. They say any benefit from the mortgage bond purchase will be fleeting unless the tight supply of homes can be increased. Without that, they argue, any decrease in interest rates will only drive up home prices as sellers adapt to the lower cost of borrowing by increasing their asking prices.

"This is just a smoke screen for Trump and Bill Pulte to tweet about — it will do little, if anything, to lower mortgage interest rates over the long term and raises questions about increased risks to Fannie and Freddie," said Sen. Elizabeth Warren of Massachusetts, the top Democrat on the Senate's banking committee.

The episode offers the latest example of Pulte's turbulent tenure in a typically low-profile position in the federal bureaucracy.

Pulte, who also appointed himself chairman of Fannie Mae and Freddie Mac, has used the post to cultivate his own political profile and spearheaded efforts to initiate federal criminal investigations of some of Trump's chief antagonists.

Pulte was identified as a driving force behind the administration's decision to criminally investigate Federal Reserve Chairman Jerome Powell, according to Bloomberg News, provoking an outcry from some prominent Republicans in Congress.

Pulte has presided over the firing of executives at Fannie Mae and Freddie Mac, as well as ethics officials at Fannie Mae who were investigating him and his allies. He also has pushed Trump to endorse policy ideas that were widely panned. In November, Pulte convinced Trump of the allure of a 50-year mortgage as a way to increase home buying and building — a proposal that would drastically increase the overall price of a loan.

Fannie Mae was created in 1938 as part of the New Deal to shore up the mortgage industry. Congress created Freddie Mac in 1970 to provide additional liquidity to the housing market. The institutions buy up the vast majority of mortgages that lenders issue to homeowners, which are then packaged into bonds that are sold to investors.

Both now exist as private companies, but because of their government charters, they are subject to additional regulation and can borrow money at far lower costs.

Because of this government affiliation, markets also broadly recognize the financial products they sell as federally guaranteed.

But there is a tension between the lenders' public mission and their desire to generate earnings, which has at times led both to take on heightened levels of risk, as was the case before the financial crisis.

That led to both being placed in a government conservatorship.

As a result, the federal government forced Fannie Mae and Freddie Mac to draw down their mortgage investment portfolios, which the Treasury capped at \$450 billion.