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Bill Pulte, the FHFA chief, goes after Trump's political opponents.

Weaponizing the Housing Regulator

REVIEW & OUTLOOK

Federal Housing Finance Agency (FHFA) director William Pulte on Wednesday accused Federal Reserve Governor Lisa Cook, a Biden appointee, of mortgage fraud. President Trump then demanded her resignation. Where this goes is hard to know, but it's an ominous turn in political lawfare.

Mr. Pulte posted on social media Wednesday morning a criminal referral for Ms. Cook that he sent to Attorney General Pam Bondi and Special Attorney Ed Martin. The letter alleges that Ms. Cook misrepresented two properties in mortgage agreements in 2021 as her primary residence, though she had put one up for rent in 2022.

Note

Ms. Cook appears to have "falsified bank documents and property records to acquire more favorable loan terms, potentially committing mortgage fraud under criminal statute," Mr. Pulte wrote. He oversees Fannie Mae and Freddie Mac, which guarantee about half of residential mortgages in the U.S. This gives him access to mortgage information on millions of Americans.

Citing Mr. Pulte's allegations, Mr. Trump demanded on Truth Social that she "resign now!!!" Mr. Pulte then tweeted that "the President has great cause to fire Lisa Cook" and mused that Federal Reserve Chair Jerome Powell might " be complicit with Cook's alleged fraud." He reiterated his insinuations that Mr. Powell is covering up Ms. Cook's alleged fraud in a CNBC interview.

This is nasty business. Mr. Powell doesn't have the authority to remove Ms. Cook, and why would he know anything about her mortgages? The context for Mr. Pulte's accusations is relevant. Mr. Trump is angry that the Fed hasn't cut interest rates. Ms. Cook voted with Mr. Powell to stand pat at last month's meeting of the Federal Open Market Committee.

Mr. Trump has resisted firing Mr. Powell because advisers have warned that doing so could rattle markets and spur a legal challenge. So now he and his Dobermann at the FHFA are trying to bludgeon Ms. Cook into supporting a rate cut under threat of removal and criminal prosecution.

The FHFA's job is to ensure Fannie and Freddie don't take on too much risk so taxpayers don't have to bail them out again as happened during the 2008-09 housing meltdown. Mr. Pulte seems preoccupied with using his power against Mr. Trump's opponents.

In April he referred New York Attorney General Letitia James for criminal prosecution, alleging she misrepresented her principal residence in 2023 as being in Norfolk, Va., to obtain better loan terms on a mortgage. He also accused her of misstating information in a 2001 application for a property that didn't meet Fannie and Freddie conforming loans rules. Recall that Ms. James charged Mr. Trump with civil fraud under New York law for misrepresenting information about his properties to get better loan rates from banks. It's a dubious case, and a $454 million judgment against Mr. Trump is under appeal.

Mr. Pulte in May referred Sen. Adam Schiff, who fanned the false Russia collusion narrative against the President, for criminal prosecution. The FHFA director claimed the California Democrat misstated his primary residence as being in Maryland while claiming a tax exemption for a primary residence in Burbank, Calif. Such allegations were first reported by the press.

The FHFA director says he's doing his job by investigating potential mortgage fraud, and that nobody is above the law. That's fair as far it goes, but blasting weighty allegations via social media or leaks is an ugly way for government regulators to behave.

Misstating information on mortgage applications doesn't appear to be uncommon, and the problem may expose underwriting lapses at the lenders and Fannie and Freddie. You'd think the giant mortgage guarantors would do some back-end work to ensure borrowers aren't claiming multiple homes as their primary residences, but maybe not.

Mr. Pulte on Wednesday tweeted a 2023 Philadelphia Federal Reserve Bank study that found "occupancy fraud"—borrowers who misrepresent themselves as occupying properties when they are buying them for investment purposes—was pervasive during the 2000s' housing bubble and "remains present." Note

If true, this deserves a broader government investigation. Instead, Ms. Bondi has unleashed Mr. Martin, a fierce Trump partisan, to investigate Ms. James and Mr. Schiff and perhaps now Ms. Cook. Mr. Trump withdrew Mr. Martin's nomination as U.S. Attorney for the District of Columbia because he lacked GOP votes to get confirmed.

One reason we opposed the Biden prosecutions of Mr. Trump is because political lawfare tends to boomerang, and here we are. Weaponizing the housing regulator won't build confidence in America's institutions or markets.