

10-9-25

WSJ Print Edition

Trump and Pulte now want the giants to subsidize home builders.

The Incredible Expanding Fannie Mae

REVIEW & OUTLOOK

President Trump has heard that home builders are struggling amid his tariff blitz, immigration crackdown and weak sales. His solution? Get government-sponsored enterprises Fannie Mae and Freddie Mac to subsidize them. Here we go again.

Mr. Trump pitched this idea in a Truth Social post on Sunday. "Before I became President, 'OPEC' kept Oil prices high. It wasn't right for them to do that but, in a different form, is being done again—This time by the Big Homebuilders of our Nation," he wrote. So he's accusing the home builders of colluding to restrict housing supply? But wait.

He added: "They're my friends, and they're very important to the SUCCESS of our Country, but now, they can get Financing, and they have to start building Homes. They're sitting on 2 Million empty lots, A RECORD. I'm asking Fannie Mae and Freddie Mac to get Big Homebuilders going and, by so doing, help restore the American Dream!"

Bill Pulte, the President's political fixer who oversees Fannie and Freddie, saluted his boss: "We will do just that at Fannie Mae and Freddie Mac." What Mr. Pulte means by "just that" is the trillion-dollar question. Fannie and Freddie guarantee mortgages, including some loans for people building their own homes. But the government-sponsored godzillas currently don't finance home builders.

It's unclear where Mr. Trump picked up the idea that home builders are sitting on "2 million empty lots." The Census Bureau shows that about 250,000 homes have received permits but not yet begun construction. Perhaps his confusion stems from the current housing market affordability paradox.

State and local governments have suppressed construction over many years while the feds and Fannie and Freddie have goosed demand. This has resulted in a housing shortage and pushed up prices. Historic low mortgage rates during the pandemic drove up prices even more. Home prices have climbed 55% since January 2020. Many Americans now can't afford to buy a home at today's higher mortgage rates and home prices. Those who locked in low mortgage rates in 2020 or 2021 often can't afford to move if they need a new mortgage for their next home. So demand for newly built homes is weak.

Home builders are enticing buyers with discounts and offers to pay down their mortgage rates for a few years with the hope that rates will later fall and let borrowers refinance. Nearly four in 10 builders cut prices last month, and 65% said they dangled incentives, according to the National Association of Home Builders. They've also put the brakes on new projects. This will make it harder to expand supply to bring down prices over the long term.

There's little Fannie and Freddie can legally do under their existing federal charters to support home builders. Guaranteeing construction loans to big home builders is beyond their remit, and subsidizing borrowers to buy new homes would likely push up home prices. The two mortgage giants are also undercapitalized, even as Messrs. Pulte and Trump talk about letting them break free of government conservatorship and float IPOs.

Expanding their role in housing even more is one of the worst ideas we've heard in an era too full of them. If Mr. Trump wants to help his home-builder "friends," he could drop his tariffs, stop deporting their workers, and appoint a Federal Reserve Chair with market credibility to defeat inflation.