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President wants government to buy mortgage bonds

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WASHINGTON>> President Donald Trump said on social media Thursday that he is directing the federal government to buy \$200 billion in mortgage bonds, a move he said would help reduce mortgage rates at a time when Americans are worried about home prices.

Trump and the White House have been trying to show they are responding to voter concerns about affordability ahead of midterm elections in November. Home prices have generally risen faster than incomes because of a persistent construction shortfall, making it harder for renters to buy their first home and for existing owners to upgrade to a new property — a challenge that dates back to Trump's first term and the recovery from the housing market collapse that triggered the global financial crisis in 2008.

Trump said the two mortgage companies under government conservatorship, Fannie Mae and Freddie Mac, have \$200 billion in cash that will be used to make the purchase.

"This will drive Mortgage Rates DOWN, monthly payments DOWN, and make the cost of owning a home more affordable," Trump posted on social media.

White House officials did not immediately respond to questions about the timelines for how purchases would occur.

The Federal Reserve has in the past bought mortgage bonds during times of economic turmoil to help reduce interest rates, leading many homeowners to refinance into rates of 3% or less. The low rates of the recent past make these homeowners reluctant to sell their properties, depriving the market of inventory.

"At a high level I feel this is putting a Band-Aid on a deeper issue and it probably wouldn't lower rates enough to really undo the mortgage rate lock-in effect," said Daryl Fairweather, chief economist at the real estate brokerage Redfin.

Fairweather estimated the government purchases of mortgage debt could shave 0.25 to 0.5 percentage points off the rate for a 30-year fixed rate mortgage. But the purchases wouldn't address other factors such as a chronic shortage of homes on the market, which has helped make homeownership unaffordable for many Americans, she cautioned.

Mortgage rates have been averaging around 6.2%, according to Freddie Mac, which went into conservatorship along with Fannie Mae in 2008 when the U.S. economy crashed during the Great Recession. Thirty-year mortgage rates haven't been below 6% since September 2022.