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Treasury Plan Keeps GSE Status Quo—For Now



The Trump administration's recently announced plan to reform government-sponsored enterprises Fannie Mae and Freddie Mac allows the agencies leeway to continue multifamily lending at recent record levels—at least until the end of 2020.

The plan comes as somewhat of a surprise since members of the administration—particularly Federal Housing Finance Administration director Mark Calabria—talked during the runup to the announcement about reigning in the GSEs' market share.

Fannie and Freddie generated nearly half of multifamily mortgage volume in 2017 and 2018, up from 28 percent as recently as 2014, according to the FHFA. Meanwhile, the FHFA said the agencies' share of the total outstanding multifamily debt has increased to 40 percent at year-end 2018, up from 25 percent in 2007.

Yet the FHFA set caps for the next five quarters that will allow Fannie and Freddie to cumulatively grow. The two agencies can produce \$100 billion of loans apiece between the fourth quarter of 2019 and the end of 2020, or \$20 billion per quarter. The GSEs generated roughly \$145 billion of loans through its correspondent programs in 2018, while the cap essentially sets