Press Release

Privatizing the GSEs: More Questions Than Answers

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For nearly a decade and a half, Fannie Mae and Freddie Mac, the two Government-Sponsored Enterprises (GSEs) central to the U.S. housing finance system, have operated under the shadow of federal conservatorship, an arrangement intended to be only a temporary measure following the 2008 financial crisis. In a new insight, Director of Financial Services Policy Thomas Kingsley walks through the case for privatizing the GSEs, provides some of the options for doing so, and analyzes why any route to privatization is fraught with challenge.

He concludes:

> *Privatizing the GSEs is a noble policy goal that aims to reintroduce market discipline and reduce taxpayer risk. The path to privatization is fraught with obstacles, however, including potential disruptions to the housing market, concerns about credit access, and the challenge of eliminating government backing. While Congress will be crucial in enacting any reforms, the real test will lie in crafting a privatization framework that strikes the right balance between market efficiency and public policy goals, ensuring that the new system can deliver housing finance stability without reverting to the excesses of the pre-crisis years… Without careful attention to both legal and market realities, the privatization of Fannie Mae and Freddie Mac could either result in a financial boon or a market setback.*

Read the analysis.