

Fannie Mae and Freddie Mac

THE NOTION THAT THE GOVERNMENT HAS NOT BEEN REPAID IS LUDICROUS.

It's been the best deal for the taxpayer since the Louisiana Purchase.

Apparently fearful the **Trump Administration** may soon release the highly profitable **Fannie Mae** and **Freddie Mac** from their dozen-year stint in 'conservatorship', a few commentators are asserting that Uncle Sam has not yet been repaid for what he advanced the companies.

Their claims are utterly false.

The facts: the government purchased [\\$191.5 billion](#) of Fannie and Freddie preferred stock in the wake of the 2008 financial crisis. Since then, it has collected over [\\$301 billion](#) in dividends.

That the government has been paid in full was confirmed over a year ago by **Craig Philips**, then Secretary of the Treasury **Steven Mnuchin's** right hand man. (You can view his May 18, 2019 interview [here.](#)) But you can also do the math for yourself; (last I checked, two-plus-two still equals four).

Yet because the government hasn't yet offset those dividends against what it advanced, these commentators, including the *Wall Street Journal's* editorial board (which should know better), claim the government "[hasn't come close to being repaid](#)" and that Fannie and Freddie are still in hock for \$191.5 billion.

Huh?

Since when does the government make loans which the borrower is never allowed to repay? Did they do that with **Citibank**? **AIG**? Or any of the hundreds of banks in which it purchased preferred stock via the **TARP** program? Really, has Uncle Sam been transformed into a Mob banker?

What's also missing from this picture is the fact that the government never put up a penny of its own cash in the first place. Where did it come from? From the source of the rest of our chronic deficit spending: the bond market. We *borrowed* (at probably less than three percent), and then re-loaned to Fannie and Freddie at 10 percent.

So, think about it: without the American taxpayer putting up a dime, the government has been earning at least a 700-basis-point spread on almost \$200 billion of Other People's Money – for a dozen years! Brilliant!

"*Hasn't come close to being repaid*"? To the contrary: Fannie and Freddie have been the best deal for the taxpayer since the Louisiana Purchase.

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