The Delaware Bay Company LLC

"Let the people know the facts . . . and the country will be safe." - A. Lincoln

HINDESight™ August 24, 2026

"*We have to make clear that* (conservatorship) *is transitory, because otherwise it looks like nationalization.*"
-- President Bush to Treasury Secretary Paulson, Thursday, September 4, 2008, in the Oval Office.

Fannie and Freddie pass yet another stress test.

When do we get our companies back?

As expected, they passed with flying colors.

According to their conservator, the **Federal Housing Finance Agency** ("FHFA"), were the economy to suffer a relapse equal to or greater than the 2008 financial crisis, neither company would require a dime of taxpayer capital. That's right; according to FHFA, if residential housing prices dropped by 30 percent; commercial real estate dropped by 40 percent, GDP dropped by five percent, and unemployment peaked at 10 percent, both companies would do just fine without any government assistance. Pretty impressive. (Full details can be found at https://ruleoflawguy.substack.com/p/gses-pass-dodd-frank-severely-adverse)

So why are they about to enter their 18th year in government conservatorship?

For those new to the situation, it helps to understand how we got to where we are, which I attempt to explain in a piece I wrote back in 2017 entitled *It wasn't a bail-out, it was a stick-up: the Case of the Concrete Life Preserver*. But the bottom line is that a 'conservatorship' which was originally billed as a "temporary time-out" is now on its fourth presidential administration and sixth conservator.

Back in 2021, **Donald Trump** advocated releasing Fannie and Freddie from conservatorship and returning them to their rightful owners: *". . . I would have ordered FHFA to release these companies from conservatorship . . . the idea that the government can steal money from its citizens is socialism and is a travesty brought to you by the Obama/Biden Administration."* At the time, he claimed that his hands were tied in that he was unable to fire then-conservator **Mel Watt**. But since taking office again nearly two years ago, Trump has teased that he plans a massive share offering to monetize the government's position and his underlings—most notably current conservator **William Pulte** – have reinforced that view. However, there have been no concrete steps towards releasing the twins (they were supposed to announce share underwriters back in October); in the meantime, preferred shares – which would presumably trade at or near their $25 par value were that to happen – currently change hands at under $10.

For his part, Pulte has made clear that the ultimate timing and release from conservatorship is strictly up to Trump. https://seekingalpha.com/news/4587216-fannie-mae-freddie-mac-ipos-are-totally-up-to-trump---fhfas-pulte .

Now some cynics will chalk this delay up to another instance of TACO. I personally believe that he has had his hands full with other matters (i.e, the war in Iran, etc.) But hopefully he will soon demonstrate that he can walk-and-chew-gum simultaneously. And let's remember that the government has already booked a profit of over $100 billion on its Fannie/Freddie 'investment'. Indeed, it's been the best deal for the taxpayer since the **Louisiana Purchase**.

There simply is no legitimate reason for keeping these companies in conservatorship any longer. To paraphrase what I wrote three years ago, *"what is he waiting for?"*

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