

The Delaware Bay Company LLC

(Ed. note: Be sure to click on the links in the second and final paragraphs.)

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

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"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.

"They (aren't going to be allowed to) repay their debt and escape . . ."

-- A senior advisor to President Obama, in an August 18, 2012 email explaining the purpose of the Net Worth Sweep.

"When do we get our companies back?"

That's what's being asked by thousands of **Fannie Mae** and **Freddie Mac** shareholders (not a few of whom are now in their 80's) – as well as by the companies' 16,000 employees. With Fannie and Freddie having returned to profitability over a decade ago, and with their combined net worths at record highs, one can understand why they are asking questions.

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 in 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" has now entered its 16th year (outlasting even that of **Britney Spears!**) **It's now on its fourth presidential administration and fifth conservator.**

Enough is enough.

Just last week, the two companies announced combined third quarter earnings of \$7.4 billion (after tax). They have pristine books of business; for instance, Freddie's serious delinquency rate was .55 percent, while its weighted average current loan-to-value ratio was 53 percent and average credit score was 756. Very impressive numbers. And the 2023 **Dodd-Frank** stress tests indicate that even were there to be a 38 percent drop in housing prices (yikes!), the GSEs would still earn \$9.9 billion.

A unanimous jury verdict on August 14 should resolve any doubt that the shareholders deserve to get their companies back. A **District of Columbia** jury found

the government acted in *bad faith* in 2012 when it imposed the **Net Worth Sweep**. The NWS, you will recall, changed the government's 10 percent dividend to one equal to 100 percent of their profits (in perpetuity, no less!) And it did so just after the companies resumed showing black ink that year. If it wasn't obvious before, the verdict should make clear that shareholders possess the moral high ground here.

Claims that the taxpayer would somehow be at risk were the companies to be returned to their rightful owners are nonsense. In addition to the \$118 *billion* in shareholder equity which would have to be eliminated, there is another \$6 *trillion* in homeowner equity which would need to be burned through before the taxpayer would see any exposure. As **Don Layton** (the government-installed CEO of Freddie Mac from 2012 until his retirement in 2019) recently commented, *"given the existing level of capital at the two companies, the probability of taxpayers having to inject more funds into the GSEs is approaching levels that I believe are so small they cannot be statistically measured."* 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. As I wrote two months ago, *"[what are they waiting for?](#)"*

Gary E. Hines
1370 Avenue of the Americas – 29th floor
New York, NY 10019 USA
646-467-5242
gary.hines@delawarebayllc.com