

Commentary Week of Jan 04, 2026

The White House directed Fannie Mae and Freddie Mac to purchase up to \$200bn in mortgage bonds, a plan to help reduce mortgage rates and alleviate the housing affordability concerns of millions of Americans. Experts predict this could lower 30-year mortgage rates between 15 - 50bp.

The GSEs had for several years used their balance sheet to invest in mortgages and earn the spread between their debt and the mortgage yield. This practice was discouraged after the housing crisis and the GSEs were forced to pare back their portfolio to de-risk. It is unclear whether this directive to purchase mortgages will increase the risk on the balance sheet of Fannie Mae and Freddie Mac for taxpayers.

Purchasing mortgages helped to spur the economy and lower rates in times of crisis (COVID, housing), but the Fed had stopped those purchases, and their portfolio was winding down (see chart below). With the Fed's independence and Powell and the White House disagreeing over several issues, it is much more straightforward for the White House to direct the GSEs to purchase MBS.

