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# What to Do about Fannie and Freddie: A Primer on Housing Finance Reform

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Policymakers face several issues in reforming the current system of mortgage finance toward one in which the government plays a less direct role.

In September 2008, the U.S. government took control of Fannie Mae and Freddie Mac, the two dominant entities in U.S. residential mortgage markets. The government placed Fannie and Freddie into a conservatorship, meant to be temporary to curtail the risk of financial contagion during the financial crisis, conserve the value of the companies, and return them to safe-and-sound condition. But as of mid-2020, the conservatorship persists. Fannie and Freddie together with other mortgage-finance institutions have been meeting several important goals over the past few years, arguably satisfying most households' mortgage needs and, on balance, supporting financial stability. Even so, almost all policymakers, researchers, and industry advocates agree on the need to move to a system of mortgage finance in which the government plays a less direct role.

Jordan Rappaport reviews the current system of mortgage finance and analyzes the key issues policymakers face in reforming it, including what to do with Fannie and Freddie. Although policymakers have reached a rough consensus on several key issues, they disagree on the share of lending the government should backstop against widespread defaults and how many companies should have access to the backstop.

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