



Written by [Dennis Behreandt](#) on August 9, 2010

After Losses, Freddie Mac Wants Another \$1.8 Billion

The government sponsored enterprise (GSE) finance firm that was taken over by the government two years ago posted a loss of \$6 billion for the second quarter. Following the loss, Freddie Mac said it would need another \$1.8 billion from taxpayers. If it gets the money, [ABC News reported](#), its total request for taxpayer funds since the government takeover would rise “to more than \$64 billion.”



In a [press release](#) on its financial outcomes for the second quarter, Freddie Mac announced: “The Federal Housing Finance Agency (FHFA), as Conservator, will submit a request on the company’s behalf to Treasury for a draw of \$1.8 billion under the Senior Preferred Stock Purchase Agreement.”

Apparently anticipating criticism for both its losses and its request for more government money, Freddie Mac defended its role in funding homebuyers.

“Freddie Mac continues to support the still-fragile housing market by providing America’s families with access to affordable home financing and foreclosure alternatives,” Freddie Mac Chief Executive Officer Charles E. Haldeman, Jr. said. “We helped more than 150,000 struggling borrowers avoid foreclosure and provided funding that enabled more than 865,000 American families to buy or rent a home in the first half of 2010 — during which the GSEs again supplied the majority of all the liquidity to the U.S. mortgage market.”

With Freddie Mac and its sister GSE Fannie Mae supplying nearly all of the liquidity in the housing market, the federal government has at its disposal large market “levers” that it can use to achieve its social goals of “affordable housing” for low income families. Efforts to use these “levers” to achieve that goal contributed heavily to the current recession, and likely could continue to have a deleterious impact in the future.

“Having specific affordable-housing goals imposed on [the] system has the ability to distort the system and have a damaging effect” [said](#) Michael D. Berman of the Mortgage Bankers Association.

Separately, in a letter to Ohio Congresswoman Marcy Kaptur, released on Friday, Federal Reserve Chairman [Ben Bernanke said](#) the housing finance system should be able to function without Fannie Mae and Freddie Mac. “There are a variety of organizational forms that might replace Fannie Mae and Freddie Mac that could likely provide mortgage credit without the systemic risks associated with these institutions in the past,” Bernanke wrote.



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