



Written by [Thomas R. Eddlem](#) on January 27, 2012

Debate: Fannie, Freddie, and Fakers

Ron Paul told the debate audience, "Now, you can't argue. I've talked a long time about cutting off that credit from the Fed. I was trying to prevent this stuff. Also, I opposed the Community Reinvestment Act as well; I had legislation in 10 years before the bust came to remove that line of credit to the Treasury [to Fannie and Freddie]." Indeed, Ron Paul predicted that Government-Sponsored Enterprises (GSEs) such as Fannie Mae and Freddie Mac were part of a housing bubble and would be the subjects for giant government bailouts and the excuse for a spiraling national debt in a February 2004 [speech](#). "A taxpayer bailout of the GSEs would dwarf the savings-and-loan bailout of the early nineties and could run up the national debt to unmanageable levels." Ron Paul had warned about Fannie and Freddie's role in a growing "housing bubble" in each of the years [2001](#), [2002](#), [2003](#), [2004](#), and [2005](#).



The controversy over Fannie Mae and Freddie Mac — Government Sponsored Enterprises (GSEs) that are nominally private, but created by Congress and possessing an implied government bailout — started with Romney criticizing Gingrich for his part in promoting Freddie Mac's role in the housing crisis:

Speaker Gingrich was hired by Freddie Mac to promote them, to influence other people throughout Washington, encouraging them not to dismantle these two entities. I think that was an enormous mistake. I think instead we should have had a whistleblower and not a horn-tooter.

"The contracts we released from Freddie Mac said I would do no lobbying, none," Gingrich replied, countering with an allegation that Romney had made money from both of the GSEs. "We discovered to our shock that Governor Romney owns shares of both Fannie Mae and Freddie Mac." Gingrich also mentioned that Romney "has an investment in Goldman Sachs which is today foreclosing on Floridians." Gingrich could also have said that [Romney's top political donor is also Goldman Sachs](#), a giant Wall Street investment bank.

Romney countered that Gingrich also owns shares in Fannie Mae and Freddie Mac in mutual funds in which he is invested. The difference, Romney argued, was that the mutual funds both owned were just loaning money to Fannie and Freddie at interest. "What the Speaker did was to work as a spokesman to promote Fannie Mae and Freddie Mac, to protect them from those people that wanted to take them down. He got paid \$1.6 million to do that." Gingrich was paid \$1.6 million to help promote Freddie Mac's expansion, and those payments between 1999 and 2007 resulted in public interviews on the Freddie Mac website where [Gingrich touted the Freddie Mac business model](#), such as this 2007



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interview:

There is not much support for the idea of removing the GSE charters from Freddie Mac and Fannie Mae. And I think it's clear why. The housing GSEs have made an important contribution to homeownership and the housing finance system. We have a much more liquid and stable housing finance system than we would have without the GSEs. And making homeownership more accessible and affordable is a policy goal I believe conservatives should embrace.

Former Pennsylvania Senator Rick Santorum also tried to take credit for warning about a housing bubble in the debate, telling the audience that "in 2006, I went out and authored a letter with 24 other senators asking for major reform of Fannie and Freddie, warning of a meltdown and a bubble in the housing market. I stood out, I stood tall, and tried to get a reform and we couldn't do it."

But by 2006, the housing bubble was already at its height. Just a year earlier, Santorum [said](#) during a July 28, 2005 hearing on a Senate bill that he wanted Fannie Mae and Freddie Mac oriented "toward taking a more active role in creating housing opportunities for low and moderate income families." In short, he wanted the government to continue blowing up the housing bubble.

Photo of Newt Gingrich with Mitt Romney: AP Images



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