



Written by [Thomas R. Eddlem](#) on December 11, 2011

## Iowa Debate: Gingrich, Paul Spar Over Freddie Mac

Asked why his campaign released an [advertisement](#) accusing Gingrich of "serial hypocrisy," Rep. Paul stressed that Gingrich "received a lot of money from Freddie Mac. Now, Freddie Mac is essentially a government organization. While he was earning a lot of money from Freddie Mac, I was fighting over a decade to try to explain to people where the housing bubble was coming from. So Freddie Mac gets bailed out by the taxpayer, so in a way, Newt, I think you probably got some of our taxpayers' money." He added, "I think this is something that people ought to know about."



Paul, whose advertisement stressed that Gingrich had switched positions on many issues, suggested that he alone had been consistent in defending the U.S. Constitution over many years in Congress: "If we're looking for a consistent position, I think there'd be a little bit of trouble of anybody competing with me for consistency."

Gingrich replied that Freddie Mac was not a major part of the housing bubble. "The housing bubble came from the Federal Reserve inflating the money supply," Gingrich replied. Indeed, the Federal Reserve's lowering of interest rates was the prime cause of the housing bubble. But Freddie Mac (and its sister company Fannie Mae) guaranteed loans — including sub-prime loans — to banks, taking the risk out of home loans to those banks. Fannie Mae and Freddie Mac's guarantees allowed banks to no longer care about the credit worthiness of home-buyers, and facilitated the growth of sub-prime "liar loans" for borrowers with no income and no verifiable assets. By the time the housing crisis broke in 2008, three-quarters of all home loans in the United States were guaranteed by Fannie Mae and Freddie Mac.

Gingrich defended his consulting work for Freddie Mac. "I offered strategic advice. I was in the private sector." Rep. Paul stressed during the exchange that the voters may have financed Gingrich's lifestyle while he was in the "private sector." "It's the taxpayers' money. We had to bail these people out," said Paul.

Gingrich replied, "I'm not for bailing them out. In fact, I'm for breaking them up." But the record belies Gingrich's claims. Gingrich backed passage of the \$700-billion taxpayer TARP bailout in [television interviews](#) and [other speeches](#) in 2008, a bailout that resulted in [nearly \\$150 billion in taxpayer funds](#) being available to Fannie Mae and Freddie Mac. Since declaring his candidacy, however, Gingrich has claimed to have opposed the TARP bailout.

In fact, while Gingrich was on the Freddie Mac payroll, he [praised](#) the mortgage giant's business model. In an April 24, 2007 interview for Freddie Mac's website. The former House Speaker said:

I think a GSE [Government Sponsored Enterprise] for space exploration ought to be seriously considered — I'm convinced that if NASA were a GSE, we probably would be on Mars today.



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Certainly there is a lot of debate today about the housing GSEs, but I think it is telling that there is strong bipartisan support for maintaining the GSE model in housing. 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. Millions of people have entered the middle class through building wealth in their homes, and there is a lot of evidence that homeownership contributes to stable families and communities. These are results I think conservatives should embrace and want to extend as widely as possible.

Freddie Mac listed Gingrich as an "advisor to Freddie Mac" in the 2007 interview. In a November 9, 2011 CNBC debate on the economy, Gingrich [painted exactly the opposite picture](#):

And my advice as a historian, when they walked in and said to me, "We are now making loans to people who have no credit history and have no record of paying back anything, but that's what the government wants us to do," as I said to them at the time, this is a bubble. This is insane. This is impossible. It turned out, unfortunately, I was right and the people who were doing exactly what Congresswoman Bachmann talked about were wrong. And I think it's a good case for breaking up Fannie Mae and Freddie Mac and getting much smaller institutions back into the private sector to be competitive and to be responsible for their behavior.

*Photo of Newt Gingrich at debate: AP Images*

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