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### Effect of the Conservatorship of Fannie Mae and Freddie Mac on Affordable Housing

Winston Sale

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# Effect of the Conservatorship of Fannie Mae and Freddie Mac on Affordable Housing

*Winston Sale*

I. Introduction .....	287
II. A Brief History of Fannie Mae and Freddie Mac.....	289
A. Origins of Government Intervention in Housing Finance .....	289
B. GSEs' Missions .....	290
C. GSEs' HUD-Designated Affordable Housing Goals.....	292
III. Subprime Lending, the Housing Boom, and Conservatorship .....	295
A. Background.....	295
B. Fannie and Freddie Bet Heavily on Subprime .....	297
C. FHFA Takes Action .....	298
IV. Impact of the Conservatorship on Affordable Housing.....	300
A. Affordable Single-Family Housing .....	301
B. Affordable Multifamily Housing.....	303
C. GSEs' Tax Credit Investments .....	305
D. GSEs' Charitable Giving .....	306
E. Housing Trust Fund.....	306
V. Conclusion .....	307

## I. Introduction

On September 7, 2008, the Federal Housing Finance Agency (FHFA), under authority granted by the Housing and Economic Recovery Act of 2008 (HERA), placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively referred to as government-sponsored enterprises [GSEs]) into conservatorship.<sup>1</sup> Conservatorship is “a statutory process designed to stabilize a troubled institution with the objective of returning the [GSEs] to normal business operations.”<sup>2</sup> Under the conservatorship, FHFA is operating the GSEs and will continue to do so until they are stabilized.<sup>3</sup> The GSEs' placement in conservatorship was the result of spiraling losses and deteriorating economic conditions that threatened the GSEs' solvency and their dual public missions of providing stability and liquidity to the housing finance

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