

Freddie Mac Seeks Another \$500 Million Bailout

February 24, 2011 - Freddie Mac, one of the two beleaguered financial giants now owned by the government, has decided that the \$64 Billion in bailouts it has received so far are not enough. The company is asking for another \$500 Million in order to keep operating.

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Freddie was seized by the US government in 2008, along with its larger twin; Fannie Mae. The two companies guarantee more than \$5 Trillion dollars in mortgage finance debt. Last week, the Obama administration announced long term plans to wind down operations of both firms and for the US government to exit mortgage finance markets.

During the administration of George W. Bush, the president called for additional regulation of both Freddie and Fannie by congress. The administration believed that both organizations, which were at the time being operated as independent companies, were engaging in dangerous lending activities. But both houses of Congress refused the president's request. In particular, Rep. Barney Frank and Sen. Christopher Dodd - both Democrats - fought tooth and nail to prevent additional regulation of the companies.

It can easily be argued that many of the financial problems faced by the United States today were caused by the lack of oversight championed by Frank and Dodd.

Freddie lost \$113 Million in the fourth quarter of last year. Unless the companies can be made solvent and independent, even with a wind-down of operations US taxpayers are likely to remain on the hook for all of the loan guarantees made by both companies.

by Jim Malmberg

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