

Fannie Mae Wants Billions More From Taxpayers

August 8, 2011 – Over the past few weeks, as the nation was going through the debate over increasing its debt ceiling, you probably weren't thinking about funding Fannie Mae. But the beleaguered lender that is now owned by taxpayers was apparently watching the debate closely. Once the debt ceiling was raised, they came rushing back to the government trough; seeking a mere \$5.1 Billion this time. If Fannie gets that money, it will bring the total amount of taxpayer funds pumped into the company to just shy of \$110 Billion since 2008. And Washington wonders why the public questions their spending of our money!

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Fannie Mae just reported that in the second quarter of this year, it had a net loss of \$5.2 Billion. Actually, since taxpayers now own the company, taxpayers had a net lose of \$5.2 Billion, but that's another story. When combined with the company's first quarter loss of \$8.7 Billion, the company cost taxpayers \$13.9 Billion in the first six months of this year. Proof that they operate under the assumption that, If you are going to fail, you might as well fail spectacularly!

The company's losses are from loans made prior to 2009. That's when lending standards were significantly tightened. The agency is blaming the losses on continued weakness in the housing and mortgage markets, which remain under pressure from high levels of unemployment, underemployment and the prolonged decline in home prices since their peak in the third quarter of 2006. Fannie also said that it expects its risk of continued losses will remain elevated through the rest of this year. That likely means that this won't be the last time this year that they ask the taxpayers to ante up.

As bad as all of this is, it is not the worst of it. That privilege lies with the fact that Standard and Poors just downgraded Fannie Mae. As with the debt of the US Government, Fannie Mae and Freddie Mac had been rated as a AAA credit risk. Since S & P downgraded overall US Debt to AA+ last Friday, they decided to downgrade both Fannie and Freddie's debt to AA+ too. That's because both companies rely on the United States government to fund them.

by Jim Malmberg

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