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Barney Frank wants to eliminate Fannie and Freddie

Barney Frank (D-Mass), chairman of the House Financial Services Committee, is preparing to recommend that mortgage giants Fannie Mae and Freddie Mac be totally dismantled as a means for helping the mortgage market.

“The remedy here is...as I believe this committee will be recommending, abolishing Fannie Mae and Freddie Mac in their current form and coming up with a whole new system of housing finance,” he said today which caused a stir in the bond markets.

Declining to elaborate on his plans, Frank mentioned last month about merging some functions of Fannie and Freddie into the Federal Housing Administration. Secretary of Treasury Timothy Geithner told PBS last week that any overhaul of Fannie or Freddie would not begin this year. “It’s just a complicated thing to get right,” he said. “But we are completely supportive and agree completely with the need to make sure that we take a cold, hard look at what the future of those institutions should be in our country.”

Republicans for the most part argue that Fannie and Freddie should be reduced in size and re-privatized. Right now these companies collectively hold around \$5 trillion in agency mortgages.