

"The dangers posed by the structure of Fannie Mae and Freddie Mac have long been recognized by many academics and practitioners, and the fact of their collapse was not as much of a surprise and the magnitude of the cost to taxpayers. The Mortgage Bankers Association has proposed a fundamentally new secondary market structure that moves away from the open-ended, enterprise level implicit guarantees that were given to Fannie and Freddie, guarantees that were not paid for, to security-level explicit guarantees that are narrowly defined and explicitly paid for. The MBA proposal improves competition by creating a chartering mechanism within a regulatory entity rather than in Congress, removes the interest rate and liquidity risks posed by the GSE portfolios by prohibiting all but de minimus holdings for specific purposes, and removes the conflicts inherent in attempting to carry out an ill-defined and changing public housing mission and meeting safety and soundness requirements."