



Fannie Mae and Freddie Mac Now Have a Blank Check

Little noticed (so far) by the American public, a Christmas Eve announcement by the Obama administration to expand the amount of bailout monies available to ailing mortgage giants Fannie Mae and Freddie Mac is already stirring controversy among Capitol Hill lawmakers sick of fueling the bailout gravy train at the expense of an increasingly restive voter base.

“The timing of this executive order giving Fannie and Freddie a blank check is no coincidence,” Rep. Spencer Bachus of Alabama, the ranking Republican on the House Financial Services Committee, told the *Wall Street Journal*. The announcement was timed, Bachus added, “to prevent the general public from taking note.”



On Christmas Eve, President Obama quietly signed an executive order removing the caps of \$200 billion dollars that the Treasury was authorized to spend on each of the two mortgage underwriters. Fannie Mae and Freddie Mac now will have access to unlimited Treasury funds through 2012 — this despite the fact that Treasury has so far provided \$61 billion to Fannie and \$50 billion to Freddie, both formidable sums, but a far cry from the now-abolished \$200 billion ceiling.

This decision is evidence enough that the bailout brigade continues apace, even as Obama Administration spokesmen and Federal Reserve officials insist that the worst is behind us, and that the economy has already technically emerged from recession. What, we may well enquire, could worry government insiders so much about the economic future that they felt obligated to remove all further restraints on government bailouts to the two biggest players in the imploded mortgage industry? After all, the government has spent barely a quarter of the funds already available to bail out Fannie Mae and Freddie Mac.

Moreover, President Obama, with the stroke of the pen, has authorized spending essentially a limitless amount of taxpayer dollars to bail out the two quasi-government mortgage giants. Yet the president of the United States has no constitutional authority to spend money, nor order Congress to do so. The power of the federal purse is assigned to Congress in Article I of the United States Constitution, but the recent string of bailouts has provided political cover for the executive branch — the president, the Treasury Department, and the Federal Reserve, in particular — to ignore this particular check on the power of the executive.

As a consequence, we are many trillions of dollars deeper in debt than was the case a year ago, and Congress is fast becoming little more than a rubber stamp for whatever spending schemes the president cares to undertake.



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