The Government Corporation as a Promising Organizational Form to Deliver Government Support the Mortgage Market

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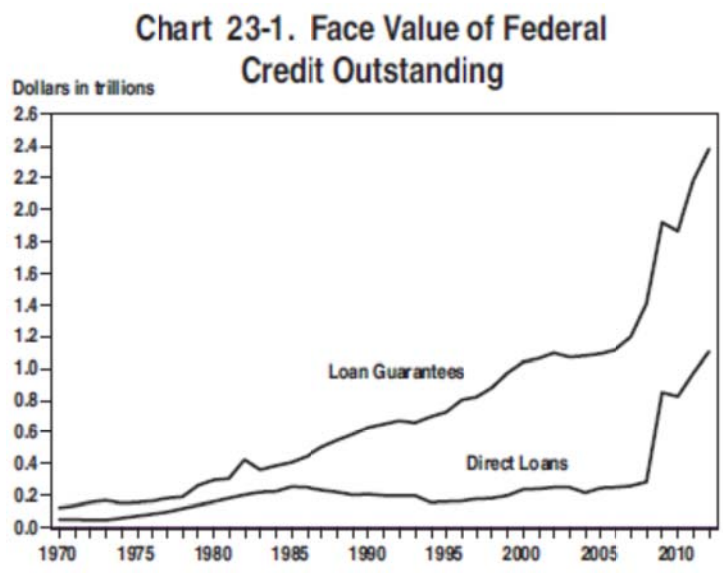
From the time of the Great Depression, when the federal government created and implemented the long-term fixed-rate self-amortizing mortgage, later extended to the 30-year fixed-rate mortgage ("30-year FRM"), government has used a variety of organizational forms to provide credit support for the mortgage market. That experience offers lessons for policymakers to consider when designing governmental support in the future.

The extent of government support for the 30-year FRM is a matter for policymakers to decide in the context of other pressing national needs and the growth of government support for credit programs generally, as can be seen in Figure 1. That figure does not include major forms of off-budget government support, such as for federal deposit insurance, other federal insurance programs, and a range of financing and loan purchase programs of the Federal Reserve System, some of which expanded greatly in the financial crisis.

Figure 1
Growth of Federal Loan and Loan Guarantee Programs[2]



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[2] Office of Management and Budget, *The Budget of the United States Government, Analytical Perspectives*, FY 2012, p. 388.

Given that policymakers are likely to consider some form of government credit support for the 30-year FRM to be a national priority, the question becomes what organizational design would be most appropriate to deliver that support. This paper suggests that the wholly owned government corporation ("government corporation"), an especially flexible type of federal agency, is an organizational form best suited to providing government support for the 30-year FRM. By receding when its services are not needed and then expanding operations after a crisis, as Ginnie Mae has done, the wholly owned government corporation can help ensure access to the mortgage market under a wide range of conditions.

The paper is organized as follows. Section I introduces the wholly owned government corporation as an organizational form, including its history and current examples of government corporations. Section II begins with the observation that any organizational form has advantages and disadvantages. The section presents four criteria by which to assess the quality of an organization that carries out public purposes: capacity, flexibility, accountability, and life cycle. Advantages of the government corporation include capacity, flexibility, and accountability; disadvantages include the life cycle of the government corporation as the mortgage market evolves from today's weakened state and policymakers potentially begin to impose changed priorities and requirements on the agency. While this paper does not assess other organizational approaches to supporting the 30-year FRM, other approaches are likely to have both of those life cycle disadvantages as well as added potential problems with accountability and flexibility.[3]

Section III suggests ways that the government corporation can use its position as an instrument of government support to create improvements in the functioning of the mortgage market. Such improvements can build on the current FHFA strategic plan for the GSEs, but without limitations that the conditions of conservatorship impose. Section IV concludes that the government corporation is a useful tool of government that merits consideration as an instrument to deliver federal credit support to the mortgage market and the 30-year FRM in particular.

I. Introducing the Government Corporation as an Instrument to Implement Federal Policy

The wholly owned government corporation is a special type of government agency that is intended to operate in a businesslike way.[4] Government corporations are supposed to be financially self-sustaining, or at least potentially self-sustaining. They keep their books on a

[3] See, e.g., the discussion in Thomas H. Stanton, "The Failure of Fannie Mae and Freddie Mac and the Future of Government Support for the Housing Finance System," *Journal of Law and Policy*, vol. 18, no. 1, 2009.
[4] See, e.g., Thomas H. Stanton and Ronald C. Moe, "Government Corporations and Government Sponsored Enterprises," Chapter 3 in *Tools of Government: A Guide to the New Governance*, Lester M. Salamon, Editor, Oxford University Press, 2002; Office of Management and Budget, *Memorandum on Government Corporations*, M-96-05, December 8, 1995; and U.S. Government Accountability Office, *Government Corporations: Profiles of Existing Government Corporations*, GGD-96-14, December 1995.

GAAP basis and submit business-type budgets rather than government budgets each year. The idea of a government corporation is that it should seek to fund itself from its operations. If the Congress decides to add noneconomic programs to a government corporation charter then it should appropriate money to enable the government corporation to carry out these activities.

Wholly owned government corporations have provided support to housing and community development for many decades. Fannie Mae, established in 1938 as a secondary market institution to help revitalize the housing sector, began as a wholly owned government corporation. Only in 1968 did the government separate the Federal National Mortgage Association (Fannie Mae) into two parts, (1) Ginnie Mae, which remains a wholly owned government corporation, and (2) Fannie Mae, which became a government-sponsored enterprise, owned and controlled by private shareholders. More recent examples of government corporations include the Resolution Trust Corporation, which helped to resolve the savings and loan debacle, the Neighborhood Reinvestment Corporation, now known as NeighborWorks, and the Community Development Financial Institutions Fund (CDFI Fund). Others include the Tennessee Valley Authority (which produces and sells electric power), and the St. Lawrence Seaway Development Corporation.

The Clinton Administration proposed transforming the FHA into a wholly owned government corporation as a way to increase its capacity:

> "HUD's reinvention of FHA would transform a slow-moving government bureaucracy into a government-owned, streamlined market-driven enterprise to use Federal credit enhancement to finance expanded homeownership opportunities and the development of new affordable rental housing."[5]

The department elaborated on the proposal, drafted charter language, and explored budget and other implementation issues for a new wholly owned Federal Housing Corporation.[6] However, that proposal did not become law.

As HUD observed in its proposal, the government corporation is an organizational form that can be quite helpful in supporting the operations of an agency that provides business-type services. President Harry Truman, in his 1948 budget message, stated the criteria for creating a government corporation:

> "Experience indicates that the corporate form of organization is peculiarly adapted to the administration of government programs which are predominately

[5] U.S. Department of Housing and Urban Development, *Reinvention Blueprint*, December 19, 1994, p. 14.
[6] U.S. Department of Housing and Urban Development, *HUD Reinvention: From Blueprint to Action*, March 1995, pp. 49-72.

> of a commercial character – those which are revenue producing, are at least potentially self-sustaining and involve a large number of business-type transactions with the public. In their business operations such programs require greater flexibility than the customary type of appropriations budget ordinarily permits."

The essence of the government corporation is its ability to keep its accounts and manage its affairs on a businesslike basis. In other words, a government corporation that is financially self-sustaining does not need annual appropriations; it funds itself instead from revenues that it generates from its activities. The Tennessee Valley Authority sells power, the St. Lawrence Seaway Development Corporation charges tolls, and Ginnie Mae charges a fee for guaranteeing mortgage-backed securities. While a wholly owned government corporation remains accountable to the Congress, freedom from annual appropriations allows it to make longer-term investments in systems and processes, so long as fee-based revenues are available to fund them.

When a government corporation meets the Truman criteria, the organization is able to develop an institutional culture that can be quite businesslike. Among federal agencies that provide loans and guarantees, those organized as wholly owned government corporations – Ginnie Mae, the Overseas Investment Corporation (OPIC), and the Export-Import Bank of the United States (ExImBank) – have achieved an organizational tone and operational effectiveness that allow them to use relatively small staffs to manage significant programs.

As with any government agency (or private sector organization, for that matter), government corporations can develop weaknesses that become more pronounced over time. One solution has been to create temporary government corporations that carry out specific missions and then sunset after some years. An early government corporation, the Reconstruction Finance Corporation (RFC), which began in 1932 and finally ended after World War II, engaged in massive lending and investment programs to help alleviate the impact of the Great Depression. Successor federal agencies of the RFC include the Small Business Administration, the Commodity Credit Corporation, ExImBank, Ginnie Mae and Fannie Mae. As a Treasury Department study points out, while the RFC was ended as an organization, many of its credit functions were decentralized to other federal programs.[7]

The Home Owners' Loan Corporation, which helped to fund about twenty percent of U.S. mortgages and helped over one million households in the aftermath of the Great Depression, did its work from 1933 until 1951 when it was liquidated and returned a small surplus to the U.S.

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[7] Celestea Gentry, "Federal Credit Programs: an Overview of Current Programs and Their Beginnings in the Reconstruction Finance Corporation, Office of Corporate Finance, U.S. Treasury Department, July 18, 1980. A good history of the RFC is James S. Olson, *Saving Capitalism: The Reconstruction Finance Corporation and the New Deal, 1933-1940,* Princeton University Press, 1988.

Treasury.[8] The Resolution Trust Corporation (RTC) was chartered as a temporary government corporation and helped to resolve over $ 400 billion of assets between 1989 and its closing in 1995.[9] The Congress extended the corporation's sunset date from five years to six when it became clear that somewhat more time was needed to finish its mission.

Placing a sunset provision into the charter of a wholly owned government corporation does not necessarily mean that the agency goes out of business. Rather, the sunset provides an opportunity for the Congress and stakeholders to consider whether the charter needs to be adapted to changing circumstances as the corporation's life is extended. This is the case with the Export-Import Bank of the United States, a wholly owned government corporation that has operated for decades under a charter that "sunsets" every several years. The current ExImBank charter has a sunset date,[10] but no one expects that the corporation will disappear. Rather, the sunset date serves the function of ensuring periodic reauthorization of the corporation and its programs.

In other words, when chartering a wholly owned government corporation, the government has several options: it can charter the agency without setting a term, it can include a sunset date that serves as an opportunity to reauthorize the corporation, or it can set an actual sunset date that is intended to mark the end of the organization's life. Even then, as in the case of the RFC or of the RTC, whose surviving functions transferred to the Federal Deposit Insurance Corporation, the agency's programs may continue indefinitely into the future. A sunset date is valuable as a way to ensure that, in contrast to some government agencies and programs, activities of a government corporation are not merely on autopilot without an easy opportunity for policymakers to make appropriate changes.

II. Assessing Advantages and Disadvantages of the Government Corporation as an Organizational Form

As a source of support for the mortgage market, the wholly owned government corporation has many advantages as an organizational form. There also are limitations that need to be understood. Consider the organizational attributes of the wholly owned government corporation and its advantages and disadvantages as an organizational form.

[8] Mark K. Cassell and Susan M. Hoffman, "Managing a $ 700 Billion Bailout: Lessons from the Home Owners' Loan Corporation and the Resolution Trust Corporation," monograph prepared for the IBM Center for the Business of Government, 2009, available at, http://www.businessofgovernment.org/pdfs/CassellReport.pdf, accessed July 20, 2009.
[9] On the impressive way that the RTC engaged in continuous process improvement, see, e.g., Thomas H. Stanton, "Lessons Learned: Obtaining Value From Federal Asset Sales," *Public Budgeting & Finance*, vol. 23, no. 1 (Spring 2003), pp. 22-44.
[10] See 12.U.S.C. Sec. 635f, "Termination date of Bank's functions; exceptions; liquidation".

Four attributes are helpful in assessing the strengths and limitations of an organizational form that provides public benefits: (1) Capacity, (2) Flexibility, (3) Accountability, and (4) Life Cycle.[11]

1. *Capacity: Capacity of the organization, in terms of people, administrative budget, systems, organization, and incentives, to carry out its public purposes*

An organization requires capacity to carry out its mission in a cost-effective manner. One lesson from the secondary mortgage market before the crisis is that government-backed organizations may possess too much capacity, such that they seek to dominate rather than merely support their designated markets. One is reminded here of Walter Bagehot's admonition from long ago: "The business of banking ought to be simple; if it is hard it is wrong…There must be occasional cases which no pre-conceived theory can define. But banking comes as near to fixed rules certainly as any existing business…"[12]

To serve as a conduit of federal support of the 30-year fixed-rate mortgage, an organization must be capable, but preferably not so capable that it gains a large appetite. This is a good description of the government corporation, which, while lacking the drive and resources of a private financial institution, can be structured to have significant capacity compared to the usual government agency or department.

Capacity can be especially great at independent government corporations such as the ExIm Bank and the Overseas Private Investment Corporation or the former Resolution Trust Corporation. These agencies obtained authority to manage their own personnel, budget, procurement, and technology systems, albeit within the scope of relevant federal laws.

Government corporations may retain and use their revenues and are not limited to year-by-year expenditures the way that ordinary agencies are subject to the annual appropriations process. In contrast to the ordinary federal agency, the government corporation is largely exempt from appropriations restrictions so long as it remains financially self-sustaining from fees it charges for the services it provides.

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[11] These criteria can help to assess a variety of organizations that carry out public purposes. See, e.g., Thomas H. Stanton, "Moving Toward More Capable Government: A Guide to Organizational Design," Chapter 1 in Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006; Thomas H. Stanton, "The Administration of Medicare," *Washington and Lee University Law Review*, 2003; National Academy of Public Administration, *Grid West: Assessment of the Proposed Governance Structure*, final report, October 2004; and "Government-Sponsored Enterprises: Reality Catches up to Public Administration Theory," *Public Administration Review*, July/August 2009.

[12] Walter Bagehot, *Lombard Street: A Description of the Money Market*, 1873, pp. 244-245.

In contrast to an organization with private shareholders, a government corporation is responsible for carrying out all parts of its mission, even when they may not generate generous net revenues. Thus, the law could provide that a wholly owned government corporation serving the mortgage market should set aside some of its revenues to fund a Housing Trust Fund. So long as revenues in fact are available, the government corporation could simply include this in its mission. Whether or not to do this is a question for policymakers to decide; the point here is that the government corporation can be a flexible tool for carrying out a public mission without the disincentives that can come from investor- or cooperative ownership.

Being a part of government means that a wholly owned corporation is subject to the political process. This has advantages and disadvantages. While policymakers intend for government corporations to operate efficiently, they also seek to promote service to their own constituents. Thus, AMTRAK, a government corporation which conceptually was supposed to become financially self sustaining, has found itself unable to end service on some lightly traveled routes because of concern from stakeholders.

There are ways to design government corporations to enhance their capacity. For example, some government corporations obtain authority to compensate their staff at higher levels than are usual in other parts of government, for example to attract nuclear engineers for service at the Tennessee Valley Authority. In designing the government corporation, as with any government organization, the key is to fit the design to the organization’s purpose.

2. *Flexibility: Flexibility the organization has, under the law and in practice, to carry out its public purposes*

With respect to flexibility, the government corporation once again is superior to other government departments and agencies. Especially those corporations that are independent agencies have authority to hire and retain personnel, procure necessary goods and services from contractors, and operate in a businesslike manner. The freedom that most government corporations enjoy to operate with business type budgets is especially useful in enhancing managerial flexibility. Because they are allowed to retain and utilize their revenues without regard to the usual government fiscal year limitation, government corporations can make multi-year investments in order to receive multi-year returns.

Again, however, all of this flexibility occurs within the context of federal laws that serve to limit management flexibility of a government corporation compared to the completely private corporation. A government corporation generally may hire, fire, and retain personnel according to Civil Service laws, for example. Federal Acquisition Regulations are likely to apply to procurement actions. And federal budget officials have increasingly imposed credit budget requirements and concomitant limits on the flexibility of government corporations to make direct loans or provide loan guarantees.

3. *Accountability: How well the organization is held accountable for (1) carrying out its public purposes, and (2) its stewardship of public resources*

The wholly owned government corporation is governed by federal law and by most of the forms of accountability that apply to other government agencies. The President of the United States appoints the CEO or board, as the case may be, of a government corporation, generally with Senate confirmation. The government corporation, while usually exempt from appropriations restrictions, is subject to budget controls and oversight from the Congress. As an agency of the United States, a wholly owned government corporation may not lobby. Government corporations are subject to the Freedom of Information Act, Inspector General Act, Government Performance and Results Act, and many other accountability laws.[13]

Accountability can pose problems for government corporations, sometimes when there is too much of it. Sometimes, in other words, capacity and accountability can involve tradeoffs against each other. For example, the Postal Reorganization Act bound the United States Postal Service (USPS) with two provisions that have contributed to the dire economic straits in which the USPS finds itself. First, the Postal Service must arbitrate the wages of postal workers rather than set them according to some standard. The result has been a significant increase in postal wages compared to other occupations. Second, the Postal Service is bound by the decisions of another government agency, the Postal Rate Commission. There are significant costs, in effort and efficiency, of trying to permit one government agency to regulate another.[14]

4. *Life Cycle: Strengths and shortcomings that manifest themselves as the organization matures*

The life cycle of an organization depends on many factors that are difficult to predict. That said, there is often a pattern to the life cycle of a government agency. In very rough terms, and with many possible variations, the pattern might be: (1) establishment of a new agency, (2) accomplishment of objectives, (3) expansion of mission to areas less suited to accomplishment by the agency, (4) increasing bureaucratization, (5) stagnation, and sometimes (6) revitalization. Recognizing the decline of FHA in the 1990s, for example, the Clinton Administration sought to revitalize the agency by turning it into a government corporation to be called the Federal Housing Corporation.

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[13] For discussion of many laws that apply to government agencies, see, e.g., Clinton T. Brass, *General Management Laws: A Compendium*, Congressional Research Service, May 19, 2004.
[14] These are discussed in Murray Comarow, The Future of the Postal Service, Chapter 5 in Thomas H. Stanton and Benjamin Ginsberg, eds., *Making Government Manageable: Executive Organization and Management in the Twenty-First Century*, Johns Hopkins University Press, 2004.

A wholly owned government corporation tends to follow a similar pattern to the government agency except that the dynamics of the government corporation potentially can keep the organization's businesslike tone for a very long time. This is true of the Export-Import Bank of the United States and Overseas Private Investment Corporation, for example. The ExIm Bank was established in 1934 and OPIC in 1971 and both seem to have maintained strong and productive organizational cultures.

Other government corporations face difficulty when they serve a changing market and cannot keep up. This has happened in a major way to the United States Postal Service, for example, as the volume of first class mail declined in favor of electronic transactions and e-mails while by law the USPS finds it difficult to close postal facilities and reduce its workforce to keep up with the need for a leaner organization.

As noted above, some of the most successful government corporations have been temporary organizations, established to carry out a mission and then sunsetting. These include the Resolution Trust Corporation, the U.S. Railway Association that helped to privatize Conrail in the 1970s, and the Home Owners' Loan Corporation in the New Deal.

A wholly owned government corporation can carry out its statutory purposes without being enticed to increase its market share the way that excessive growth can occur in an organization that is driven by the need to serve its owners (whether investors or cooperative shareholders) or the ambitions of its managers (as in some nonprofits that carry out public purposes as parts of a government program). While agency heads, including heads of wholly owned government corporations, also may seek to expand their missions, they find themselves constrained by checks and balances of the political process. Unlike a privately owned firm such as a GSE, the wholly owned government corporation is not allowed to participate actively in the political process to further its own ambitions at the potential cost of its public mission.

Because the government corporation is accountable to the Congress and the requirements of its enabling legislation, it can serve its mission with a clear focus on its public purposes. The performance of Ginnie Mae in past years shows this pattern: Ginnie Mae receded when it was not needed and now has grown again to meet the needs of the mortgage market after the crisis. Unlike an organization driven to gain market share, a government corporation can provide support without trying to dominate the market.

III. Using a Government Corporation to Support Improvements in Mortgage Market Operations

The financial crisis revealed shortcomings in the way that the mortgage market served borrowers, investors, and general efficiency. Borrowers lacked information about the payment requirements of their mortgages, while subprime borrowers and first-time homebuyers lacked necessary counseling or training in how they would be required to meet the obligations of homeownership. Investors lacked easily accessible information about the characteristics of mortgage securities they purchased. Servicers lacked incentives and payment for actions, such as trying to mitigate foreclosures, which imposed greater demands than merely processing monthly mortgage payments.

Recognizing these shortcomings and the need for government to help improve the efficiency and resilience of the mortgage market, the Federal Housing Finance Agency published a strategic plan in February 2012 in which it proposed to use operations of Fannie Mae and Freddie Mac, currently in conservatorship, to improve the secondary market infrastructure.[15]

FHFA's strategic plan pointed to several initiatives it has initiated with the two GSEs. The first is a Uniform Mortgage Data Program:

> "Developing standard terms, definitions, and industry standard data reporting protocols will decrease costs for originators and appraisers and reduce repurchase risk. It will allow new entrants to use industry standards rather than having to develop their own proprietary data systems to compete with other systems already in the market. Common data definitions, electronic data capture, and standardized data protocols will improve efficiency, lower costs and enhance risk monitoring."[16]

The second new element is a Joint Servicing Compensation Initiative, to improve the structure of servicing compensation to improve service to borrowers, reduce financial risk to servicers, allow guarantors greater flexibility to manage nonperforming loans, and generally to improve competition in the market for mortgage servicing.

Related to this is a third element, the Servicing Alignment Initiative, to provide a "single, consistent set of protocols for servicing Enterprise mortgages from the moment they first become delinquent." FHFA developed the protocols in consultation with federal bank regulators and state

[15] Federal Housing Finance Agency, "A Strategic Plan for Enterprise Conservatorships: The Next Chapter in a Story that Needs an Ending," February 21, 2012.
[16] Ibid., p. 10.

attorneys general and seeks for them "to serve as the basis for establishing broad national mortgage servicing standards."[17]

The fourth initiative is the Loan-Level Disclosures Initiative, to improve the quality of loan-level investor disclosures, both at origination of an MBS and throughout its duration. This is intended to help to improve investors' ability to measure and price the risk of mortgages and MBSs.

These are important initiatives, designed to address vexing issues revealed by the financial crisis, when borrowers often could not gain access to mortgage servicers to try to negotiate loss mitigation and alternatives to foreclosure, investors often lacked information to determine credit quality of mortgage securities they purchased, and servicers lacked both compensation and often other incentives to resolve defaulting mortgages at least cost to investors.

As FHFA explains in its strategic plan, the agency's initiatives are necessarily limited by the legal prescriptions that FHFA, as conservator of Fannie Mae and Freddie Mac must follow. The conservator steps into the role of the shareholders, directors, and officers of an enterprise in conservatorship and thus assumes responsibility for restoring the GSE to financial health.[18] In the case of Fannie Mae and Freddie Mac, these legal requirements apply even if, as the strategic plan candidly recognizes, "The Enterprises' losses are of such magnitude that the companies cannot repay taxpayers in any foreseeable scenario."[19]

A wholly owned government corporation would have greater flexibility in providing support to the mortgage market. It could provide support to the mortgage market in ways that were not attractive to the GSEs as shareholder-owned profit-motivated organizations. To give some suggestive examples, a government corporation might:

- Continue experimentation with robust criteria for borrowers to supplement the traditional FICO score. This could be especially helpful for nontraditional and first-time borrowers for whom the traditional credit score may have less relevance than other measures.

- Offer a rental voucher to foreclosed homeowners who have been timely in their payments until affected by an adverse event such as major illness, death of a breadwinner, or loss of a job. This could be offered, for example, as an option for first-time homebuyers to purchase, as a way to mitigate the uncertainties of homeownership and cushion them in

[17] Ibid., p. 11.
[18] See, 12 U.S.C. Section 4617(b)(2)(D):

> "Powers as conservator
> The Agency may, as conservator, take such action as may be—
> (i) necessary to put the regulated entity in a sound and solvent condition; and
> (ii) appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity."

[19] Strategic Plan, p. 9.

the event they cannot meet their homeownership burdens. Again, a government corporation could experiment to determine how to make such a program financially self-sustaining, without being concerned about the profit-optimizing potential that is a major driver for shareholder-owned GSEs.

- Take a community-based perspective in areas that suffer a high percentage of foreclosures in specific neighborhoods. This might include rental programs or sale of homes of defaulting borrowers to a community-based nonprofit before foreclosure. Preservation of home values is especially important for communities where foreclosures begin to increase; otherwise the blight of empty foreclosed homes can precipitate a loss of value of other homes that causes additional homes in the neighborhood to go into foreclosure. Again, because of its enormous scale, a government corporation would be able to experiment with such programs without endangering its status as a financially self-sustaining government agency.

- Improve borrower disclosures, such as requiring Alex Pollock's one-page mortgage disclosure form that requires lenders, for example, to disclose the highest monthly payments that are possible under a mortgage, thereby putting the borrower on notice about "teaser rates" and other variable rates that turned mortgages into impossible burdens for so many households.[20]

- Experiment with forms of risk-sharing with private mortgage insurance companies, financial guarantee companies, and investors to help reduce taxpayer exposure to losses from the government's guarantee of timely payment on MBSs. (This will also be a feature of the infrastructure that FHFA envisions in its strategic plan).

- Extend the corporation's infrastructure to assist other government agencies, notably the Federal Housing Administration and Veterans Administration to originate loans, monitor risk, and otherwise bring efficiencies to the market for government-backed mortgage loans. Again, this could be done on a fee basis so that the corporation remains financially self-sustaining.

These are only some ideas that might be possible with a government corporation charged with improving the efficiency of the mortgage market on a financially self-sustaining basis. They would build on current FHFA initiatives while allowing government support to take forms based on a longer view of housing market efficiency than might be possible under today's conservatorship.

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[20] Alex Pollock, "The Basic Facts about your Mortgage Loan, American Enterprise Institute, available at http://www.aei.org/files/2009/01/30/20070913_20070515_PollockPrototype.pdf, accessed 04-18-2012.

IV. Conclusion: The Wholly Owned Government Corporation is a Promising Organizational Form to Provide Government Support to the Mortgage Market

In summary, the wholly owned government corporation exhibits strong capacity, flexibility, and accountability and a potentially reasonable life-cycle. Most importantly, the government corporation combines (1) government ownership and (2) a requirement that the corporation be financially self-sustaining. This creates a balance in the incentive structure that allows for the development and implementation of useful initiatives without going to the extremes of unhelpfully innovative lending activities and products that flourished in the mortgage market in the run-up to the financial crisis. Policymakers who wish to legislate continuing government support for the 30-year fixed-rate mortgage should give careful consideration to the government corporation as the kind of organization that best can deliver that support.