Fannie Mae and Freddie Mac:
What Happened and Where do We Go From Here?

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Chairman Waxman, Ranking Member Issa, and members of this distinguished committee:

Thank you for the opportunity to testify at this hearing today on the insolvency of Fannie Mae and Freddie Mac, their takeover by the federal government, and their role in the ongoing financial crisis. I am Thomas H. Stanton, a Fellow of the Center for the Study of American Government at Johns Hopkins University. I am also a Fellow of the National Academy of Public Administration and consult to government agencies and other entities to improve the design of organizations and programs.

In 1991 I wrote a book called *A State of Risk: Will Government-Sponsored Enterprises be the Next Financial Crisis?* and worked with a small band of reformers led by Representatives J.J. Pickle (D-TX) and Bill Gradison (R-OH) of the House Ways and Means Committee to try to improve federal supervision of safety and soundness of Fannie Mae and Freddie Mac. These efforts led to creation of a new regulator, the Office of Federal Housing Enterprise Oversight (OFHEO), in 1992. Strenuous lobbying by Fannie Mae and Freddie Mac assured that the new regulator lacked the authority needed to do its job.

In my view, the 1992 legislation provided the last clear chance to create a system of accountability that might have helped to protect the two companies from the high leverage and lax practices that allowed them to expand to unmanageable size and then brought them down this year. Since 1992 and until enactment of the Housing and Economic Recovery Act of 2008 (HERA) the two companies, which gained strength as they grew, were able to block even modest pieces of regulatory reform legislation.[1]

In my testimony today I would like to make several basic points:

1. While Fannie Mae and Freddie Mac did not cause the mortgage credit debacle, they did engage in risky practices that turned them into sources of vulnerability rather than strength for the mortgage market and larger economy.

2. As it becomes clear that Fannie Mae and Freddie Mac in fact are insolvent, it would be helpful to place them into receivership and thereby remove private shareholders from the two failed companies. Once the shareholders are clearly gone, the next Administration can use the two companies to provide much needed support and reform of the home

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[1] Major bills in these years were H.R. 3703, Housing Finance Regulatory Improvement Act, 2000; H.R. 1409, Secondary Mortgage Market Enterprises Regulatory Improvement Act, 2001; H.R. 2575, Secondary Mortgage Market Enterprises Regulatory Improvement Act of 2003; S. 1656, Federal Housing Enterprise Oversight Modernization Act of 2003; H.R. 2022, Leave No Securities Behind Act, 2003; H.R. 2803, Housing Finance Regulatory Restructuring Act of 2003; S. 190, Federal Housing Enterprise Regulatory Reform Act of 2005; Federal Housing Finance Reform Act of 2005 (This bill passed the House on October 26, 2005); H.R. 1427, Federal Housing Finance Reform Act of 2007 (This bill passed the House on May 22, 2007); S. 1100, Federal Housing Enterprise Regulatory Reform Act of 2007; and H.R. 3221, American Housing Rescue and Foreclosure Prevention Act of 2008, which was signed into law as part of the Housing And Economic Recovery Act of 2008 (HERA) after undergoing numerous iterations in House and Senate.

mortgage market. If the companies remain in conservatorship rather than receivership, then government will face conflicting objectives about the role of the two companies in serving urgent public purposes versus serving financial interests of the companies and their shareholders.

3. Fannie Mae and Freddie Mac should not be restored to their previous status as privately owned organizations that operate with pervasive federal backing. The two companies and their powerful constituencies have consistently fought for high leverage and against an effective accountability structure. Even if a regulator were created with the appropriate mandate, discretion, and authority, the political power of the two companies can be expected to weaken that accountability structure over time and thereby restore the companies to their dominant market positions, high leverage, and financial vulnerability.

I. Fannie Mae and Freddie Mac Engaged in Risky Practices that Helped Lead to Their Failure and Greatly Increase Likely Taxpayer Costs

Fannie Mae and Freddie Mac committed serious misjudgments that helped to bring about their insolvency. The most serious misjudgments involved the companies' resistance to accepting more effective supervision and capital standards. For years, starting with their successful efforts to weaken the legislation that established OFHEO,[2] the two companies managed to fend off capital standards that would have reduced their excessive leverage and provided a cushion to absorb potential losses. In 2007 Freddie Mac concluded a stock buyback program that further weakened the company's ability to withstand a financial shock. As late as this March Freddie Mac defied calls to increase its capital cushion.[3] As late as this summer Fannie Mae continued to object to giving a federal regulator the discretion to set higher capital standards.[4]

The companies fought for high leverage because this benefited their shareholders, at least until the companies failed. Freddie Mac reported returns on equity of over 20 percent for most years since it became an investor-owned company in 1989, reaching highs of 47.2 percent in 2002 and 39.0 percent in 2000. Fannie Mae reported earnings of almost as much, reaching a high of 39.8 percent in 2001. The two companies fought higher capital requirements because more capital would have diluted those returns to shareholders.

[2] Among the many reports documenting the successful efforts of Fannie Mae and Freddie Mac at weakening the regulator and their capital standards, see, e.g., Carol Matlack, Getting Their Way, *National Journal*, October 27,1990, pp. 2584-2588; Jill Zuckman, "Bills To Increase GSE Oversight Move Ahead in House, Senate," CQ Weekly, August 3, 1991; Stephen Labaton, "Power of the Mortgage Twins: Fannie and Freddie Guard Autonomy," *New York Times*, November 12,1991, p. D1; Kenneth H. Bacon, "Privileged Position: Fannie Mae Expected to Escape Attempt at Tighter Regulation," *Wall Street* Journal, June 19,1992, p. A1.

[3] David S. Hilzenrath, "Chief Says Freddie Won't Raise Capital; Mortgage Financier Cites Responsibility to Shareholders, Won't Increase Loan Capacity," *Washington Post*, March 13, 2008, p. D4.

[4] Steven Sloan, "Fannie CEO Details Issues with GSE Bill," *American Banker*, June 5, 2008.

The two companies compounded the problem of their self-inflicted structural vulnerabilities with a series of misjudgments that involved taking on excessive risk just at the point that housing prices were peaking. According to press reports, the chief executives of both Fannie Mae and Freddie Mac disregarded warnings from their risk officers and sought to catch up with the market by greatly increasing their purchases of risky loans.[5]

Freddie Mac reported in its 2007 Annual Report that,

> "The proportion of higher risk mortgage loans that were originated in the market during the last four years increased significantly. We have increased our securitization volume of non-traditional mortgage products, such as interest-only loans and loans originated with less documentation in the last two years in response to the prevalence of these products within the origination market. Total non-traditional mortgage products, including those designated as Alt-A and interest-only loans, made up approximately 30% and 24% of our single-family mortgage purchase volume in the years ended December 31, 2007 and 2006, respectively."[6]

Fannie Mae's 2007 Annual Report states:

> "We are experiencing high serious delinquency rates and credit losses across our conventional single-family mortgage credit book of business, especially for loans to borrowers with low credit scores and loans with high loan-to-value ("LTV") ratios. In addition, in 2007 we experienced particularly rapid increases in serious delinquency rates and credit losses in some higher risk loan categories, such as Alt-A loans, adjustable-rate loans, interest-only loans, negative amortization loans, loans made for the purchase of condominiums and loans with second liens. Many of these higher risk loans were originated in 2006 and the first half of 2007."[7]

Fannie Mae reported that purchases of interest-only and negative amortizing ARMs amounted to 7% of its business volume in 2007 and 12% in each of 2006 and 2005. Moreover, Alt-A mortgage loans "represented approximately 16% of our single-family business volume in 2007, compared with approximately 22% and 16% in 2006 and 2005, respectively."[8] Both companies also invested in highly rated private-label mortgage-related securities that were backed by Alt-A

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[5] David S. Hilzenrath, "Fannie's Perilous Pursuit of Subprime Loans: As It Tried to Increase Its Business, Company Gave Risks Short Shrift, Documents Show," *Washington Post*, August 19, 2008, p. D01; Charles Duhigg, "At Freddie Mac, Chief Discarded Warning Signs," *New York Times*, August 5, 2008; Charles Duhigg, "The Reckoning: Pressured To Take More Risk, Fannie Reached Tipping Point, *New York Times*, October 5, 2008.
[6] Freddie Mac, *Annual Report*, 2007, p. 13.
[7] Fannie Mae, *Annual Report*, 2007, p. 24.
[8] *Ibid*, pp. 128-9.

or subprime mortgage loans, amounting to total holdings by the two companies of over $ 200 billion in 2007.[9]

In making these mistakes, Fannie Mae and Freddie Mac revealed the inherent vulnerabilities of the government-sponsored enterprise (GSE) as an organizational model.[10] First, the GSE lives or dies according to its charter and other laws that determine the conditions under which it operates. That means that GSEs select their chief officers in good part based on ability to manage political risk rather than on their ability to manage two of the largest financial institutions in the world.

Second, the GSE combines private ownership with government backing in a way that creates a virtually unstoppable political force. Because of their government backing and low capital requirements in their charters, a risky form of subsidy as we have found out, Fannie Mae and Freddie Mac gained immense market power. They doubled in size every five years or so until this year the two companies funded over $ 5 trillion of mortgages, about 40 percent of the mortgage market.

Their market power gave them political power. Whenever someone would urge regulatory reform, such as higher capital standards to reduce the GSEs' dangerous leverage, huge numbers of constituents could be expected to flood Capitol Hill.[11] That political power in turn entrenched the GSEs' market power.

The political power of the two companies is seen in the fact that the regulatory reforms of the Housing and Economic Recovery Act of 2008 (HERA) still fail to give the new regulator, the Federal Housing Finance Agency, the full mandate, authority, or discretion over safety and soundness and systemic risk that is available to the federal bank regulators.

For example, the bill requires the new regulator to conduct an estimated 25-30 rulemakings to implement key provisions of the act, including any increases in capital requirements, in addition to trying to establish itself and increase capacity to oversee the two huge and troubled GSEs. Given their market power, the GSEs have tended to dominate such rulemakings by mobilizing their constituents. HERA seeks to offset this somewhat by requiring the new regulator to consult with and take account of the views of the Federal Reserve Board Chairman on capital, prudential

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[9] Fannie Mae, *Annual Report*, 2007, p. 93; Freddie Mac, *Annual Report*, 2007, p. 94.

[10] A government-sponsored enterprise is a government chartered, privately owned and privately controlled institution that, while lacking an express government guarantee, benefits from the perception that the government stands behind its financial obligations. See, Ronald C. Moe *and* Thomas H. Stanton, "Government Sponsored Enterprises as Federal Instrumentalities: Reconciling Private Management with Public Accountability," *Public Administration Review*. July/August 1989. This definition is consistent with the definition Congress enacted in amendments to the Congressional Budget Act of 1974, codified at 2 U.S.C. Section 622 (8).

[11] Observers have long noted this pattern. "Builders, real estate brokers and bankers across the country rely so heavily on Fannie Mae for mortgage funds that they live in fear of offending the firm and routinely defend it in Washington." David A. Vise, "The Money Machine: How Fannie Mae Wields Power," *Washington Post*, January 16, 1995, p. A14.

management and operations standards, and other matters relating to safety and soundness, but sunsets this provision on December 31, 2009.

Third, the pressure of meeting quarterly expectations of investors meant that the two companies sacrificed the long-term well being of the mortgage market for their own short-term goals of maximizing returns on equity.

In short, the mix of private incentives and government backing created a dynamic that led not only to the hubris that brought about the meltdown of internal controls at both Fannie Mae and Freddie Mac a few years ago,[12] but also to their insolvency in 2008.

That said, it is useful to note that Fannie Mae and Freddie Mac did not cause the housing bubble or the proliferation of subprime and other mortgages that borrowers could not afford to repay. In analyzing the dynamics of Fannie Mae and Freddie Mac I discovered a phenomenon that can be called Stanton's Law: *risk will migrate to the place where government is least equipped to deal with it.*[13] Thus, the capital markets arbitraged across regulatory requirements and ultimately sent literally trillions of dollars of mortgages to Fannie Mae and Freddie Mac, where capital requirements were low and federal supervision was weak.

However, the capital markets also found other places where government could not manage the risk, including structured investment vehicles of commercial banks, private securitization conduits, and collateralized debt obligations that were virtually unregulated except by the vagaries of the rating agencies and exuberance of the market during the housing bubble. Huge volumes of subprime, alt-A, interest-only, and other toxic mortgages went to these parts of the market. As the bubble reached its limits and began to deflate the GSEs tried to catch up and regain the market share that they had lost to the new competition.

One other issue deserves mention in connection with the insolvency of Fannie Mae and Freddie Mac. That is the suggestion that is sometimes made that Fannie Mae and Freddie Mac failed because of the affordable housing goals that were imposed on them by the Department of Housing and Urban Development (HUD). In fact, the affordable housing goals are not designed to cause losses to the companies. It appears that the GSEs became insolvent because of their own misjudgments and especially their eagerness to jump into the market for "nontraditional" mortgages, rather than because of anything that HUD did.

[12] Thomas H. Stanton, "The Life Cycle of the Government-Sponsored Enterprise: Lessons for Design and Accountability," *Public Administration Review*, September/October 2007. This analysis is presented as the first attachment to this testimony.
[13] This dynamic was first presented in my testimony before the Senate Banking Committee in a hearing on *The Safety and Soundness of Government Sponsored Enterprises*, October 31, 1989, p. 41, pointing out that increases in stringency of capital requirements and government supervision for thrift institutions after the savings and loan debacle would drive many billions of dollars of mortgages from the portfolios of savings and loan associations to Fannie Mae and Freddie Mac because their capital standards and government oversight were much weaker.

Understanding the legal context helps to show the limited nature of HUD's authority to impose affordable housing goals. The charter acts of both Fannie Mae and Freddie Mac prescribe that the companies shall serve four purposes. The third of those purposes is to:

> "…provide ongoing assistance to the secondary market for residential mortgages (*including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities*) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing;…"[14]

The part of the 1992 Act that authorizes HUD to impose housing goals on the two companies states that implementation of those goals shall be consistent with these sections of the two companies' charter acts.[15] In other words, the law prevents HUD from imposing affordable housing goals that would be unprofitable for the two companies, even though the profits may be less than the companies would earn on other mortgages. If HUD sought to impose noneconomic goals upon the two companies, they could simply have refused to comply, secure in the knowledge that HUD's authority would not stand up in litigation. In fact, in 2007 Freddie Mac did decline to comply with some aspects of the housing goals.

Thus, the problem of the purchase of risky loans to nontraditional borrowers is more subtle than a legal mandate. Part of the purchase of nontraditional loans likely involves a desire of Fannie Mae and Freddie Mac to curry favor with policymakers to achieve other political objectives. Another part, such as the purchase by the two companies of over $ 200 billion of private label securities backed by subprime and Alt-A mortgages, did not involve service to the cause of affordable housing as much as a desire to gain yield on the basis of imprudent investments. Although these securities were given high ratings by the rating agencies, one would expect a company that funded trillions of dollars of mortgages to undertake its own due diligence and assessment of credit quality of those assets.

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[14] (Emphasis added). Codified at 12 U.S.C. Sec. 1716(3) [Section 301(3) of the Fannie Mae Charter Act] and 12 U.S.C. Note to Sec. 1451 [Section 301(b)(3) of the Freddie Mac Charter Act].

[15] Subsection 1331(a) states that, "The Secretary shall implement this subpart in a manner consistent with section 301(3) of the Federal National Mortgage Association Act and section 301(b)(3) of the Federal Home Loan Mortgage Corporation Act." Codified at 12 U.S.C. Sec. 4561(a). HERA replaced this provision with a comparable provision in Section 1334(b) of the 1992 Act, as amended.

II. The Government Should Place Fannie Mae and Freddie Mac into Receivership and Allow Them to Function Essentially as Wholly Owned Government Corporations to Support the Mortgage Market.

The government placed Fannie Mae and Freddie Mac into conservatorship rather than receivership. Unlike receivership, the voluntary acceptance of conservatorship by Fannie Mae or Freddie Mac was not subject to legal challenge, which could have further roiled the financial markets.

Placing a failed financial institution directly into conservatorship violates the customary practice of the federal bank and thrift regulators who first place an institution into receivership, then separate the assets into a "good-bank/bad-bank" structure and send the good bank, cleaned out of troubled assets, into conservatorship or bridge-bank status. Placing an institution into receivership removes the shareholders of the defunct institution. Thus, when IndyMac failed, it was placed into receivership. The receiver then transferred the deposits and most of the assets to a newly chartered thrift, IndyMac Federal Bank. The FDIC then placed itself as conservator of the new IndyMac Federal Bank.

It now appears, as past losses materialize and are recognized by Fannie Mae and Freddie Mac, that both institutions have lost their entire net worth. Freddie Mac has already reported a negative net worth of $ 13.8 billion and requested government funds to make up the shortfall. It is time to place both companies into receivership.

Placing both companies into receivership will help to remove an inherent conflict in the government's position. Technically, conservatorship means that the government is working to restore the companies to financial health. Thus far the government has preserved the shareholders in the two companies and allowed their stock to trade freely. This is inconsistent in key aspects with the government's need to use the two companies to support the mortgage market. Until shareholders are removed from the equation, officers and directors of the two companies will face conflict as to their fiduciary responsibilities. Do they price mortgage purchases low to support the market or do they price higher to replenish the companies' shareholder value? As the companies themselves point out in their most recent quarterly filings with the SEC, they face conflicts among multiple objectives that "create conflicts in strategic and day-to-day decision making that will likely lead to less than optimal outcomes for one or more, or possibly all, of these objectives."[16]

With shareholders still in the equation government must try to cobble unwieldy forms of support such as recent reports of plans to use the Federal Reserve to buy mortgage-backed securities of the two companies in return for lowering mortgage rates.

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[16] Fannie Mae Form 10Q filing for the quarterly period ended September 30, 2008, p. 7; Freddie Mac Form 10Q filing for the quarterly period ended September 30, 2008, p.5.

If the government placed both companies into receivership, then we could use Fannie Mae and Freddie Mac as agents of reform for the mortgage market. The benefits could be enormous:

- They could fund mortgages in a manner targeted to meet pressing public purposes as the new Administration defines them.
- They could begin to provide essential consumer protections for borrowers, such as Alex Pollock's ingenious one-page mortgage disclosure form, borrower counseling, and increased pre-foreclosure loss mitigation services.[17]
- They could begin to devise and impose requirements that primary lenders and other participants in the mortgage process have appropriate financial strength and capability and accountability and engage in appropriate risk-sharing before they are allowed to do business with the two companies. (Implementation of some of these requirements may need to be deferred until when the housing and mortgage markets return to some semblance of stability).
- They could help to adapt their Automated Underwriting Systems, and perhaps other systems and capabilities, for use by other federal agencies, starting with the FHA and perhaps Ginnie Mae and the direct loan program for homeowners (part of the disaster loan program) of the Small Business Administration.

In short, the government could turn the insolvency of Fannie Mae and Freddie Mac into an opportunity to begin to upgrade the quality of federal support for delivery of credit by federal agencies. The benefits for the mortgage market could be considerable as the companies, once they are charged with serving public purposes rather than a mix of public and private objectives, provide support to the housing market and fashion important consumer protections and rules of conduct for the various participants in that market.

The Congress also would be well advised to place a sunset provision of perhaps five years into each company charter. As the sunset approaches, and the mortgage debacle hopefully is behind us, policymakers can decide whether further support for the mortgage market is required, and the organizational form that is most suitable.

III. Fannie Mae and Freddie Mac Should not be Restored to Their Previous Status as Privately Owned Organizations that Operate with Extensive Federal Backing.

The experience of Fannie Mae and Freddie Mac as privately owned institutions with extensive government backing shows the shortcomings of the government-sponsored enterprise as an organizational model. However sound the accountability structure may be when the organization begins, the incentive to satisfy private owners will lead a GSE to try to weaken safety and soundness oversight and lower capital standards. Both Fannie Mae and Freddie Mac arguably

[17] Alex Pollock's one page mortgage form can be found at http://www.aei.org/scholars/scholarID.88/scholar.asp. It is presented as the second attachment to this testimony.

had stronger accountability structures when they were chartered as GSEs than when they were supervised by OFHEO. Between 1968 and 1992, when OFHEO was established, both companies had successfully removed government controls that they considered unacceptable.

It is particularly instructive to note that Leland Brendsel, then CEO of Freddie Mac, testified before the House Ways and Means Committee in 1989 that he would not allow Freddie Mac to build a large portfolio because of the risks involved. Rather, he said, Freddie Mac could serve the housing market just as well through guaranteeing mortgage-backed securities.[18] When Mr. Brendsel made his commitment to the House Ways and Means Committee, Freddie Mac was governed by a board of directors consisting of three federal officials. Shortly thereafter the law was changed to create a shareholder-controlled board of directors. Mr. Brendsel promptly abandoned his objections to a large portfolio. Freddie Mac's portfolio in recent years has amounted to almost a trillion dollars of mortgages and investment assets.

In short, the drive to satisfy shareholders is intense and easily can overwhelm considerations of what might be best for the financial system or the mortgage market or American taxpayers. The fundamental flaws of the GSE structure are compounded by other features of Fannie Mae, Freddie Mac, and their statutory framework:

1. They are chartered by the Congress rather than by actions of a regulator. This can lead, as in the case of Fannie Mae and Freddie Mac, to immense concentrations of risk in a limited number of institutions that benefit from a favorable legislative charter.

2. They are regulated by a federal agency that has only two or three GSEs to regulate. This makes the process of regulatory capture easier than in the case of federal bank regulators that supervise a variety of institutions, large and small, that may have divergent interests.

3. They benefit from a tailored accountability framework, including preferential capital standards. This contrasts with reform of the savings and loan industry after the S&L debacle, which brought thrifts directly into the statutory framework of banks and the capital standards and supervisory requirements that confer authority on all federal bank regulators.

4. They traditionally have been subject only to the authority of specialized committees or subcommittees that authorize their charters and not to oversight by the taxpayer-conscious House Ways and Means and Senate Finance committees, at least concurrently. Given the public debt implications of government backing for the GSEs, both of these committees, which have jurisdiction over matters relating to the public debt, ought to

[18] *Government-Sponsored Enterprises*, Hearing before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, Serial 101-65, September 28, 1989 (Testimony of Leland Brendsel, CEO of Freddie Mac), at p. 55

assert jurisdiction over all GSEs and their issuance of debt obligations and mortgage-backed securities.

There are other important considerations as well. The GSEs have now squandered a policy tool that government had used for decades: the perception of an implicit rather than explicit federal guarantee of their debt obligations. The end of the implicit guarantee means that government would need to provide some form of express guarantee if the GSEs were to be restored. One would hope that in such a case government would provide only a limited guarantee of mortgage-backed securities, rather than debt obligations, in return for fees that would be placed into an insurance fund similar to the BIF and SAIF funds of the FDIC. Of course at that point, why not leave the task of mortgage finance to banks and thrift institutions by allowing them to securitize mortgages in a standardized manner?

Finally, as was true of other institutions chartered by the Congress, the enabling legislation for any surviving GSEs should contain a 10-year sunset provision so that policymakers can periodically revisit questions of their public benefits and public costs in the context of changing markets and public priorities.

IV. Conclusion

Mr. Chairman, I would like to end on a note about the human costs of Fannie Mae and Freddie Mac.

- Their actions led to hundreds of thousands of American families, and possibly more than a million, facing delinquency and default on their mortgages and potential foreclosure on their homes.
- They funded the overbuilding of hundreds of thousands of homes that will be vacant or boarded up because no one wants to live there.
- The cost to the American taxpayer will run potentially to hundreds of billions of dollars.

All of this harm occurred on the watch of the four men on the first panel. It could have been avoided with prudent lending, prudent capital, and prudent management. Thank you again for holding this important hearing on two financial institutions that used their high leverage and insatiable appetites to grow to an unmanageable size before they failed. I would be pleased to respond to any questions.

Biography: Thomas H. Stanton

My work for government and other organizations has led to creation of a number of new offices and approaches to delivering public services more effectively. I enjoy helping to design and implement new and improved programs. The General Accounting Office, Congressional Budget Office, Office of Management and Budget, Farm Credit Administration, Department of Education, Department of Housing and Urban Development, Small Business Administration, and the Financial Management Service of the Treasury Department are among those that have requested my services over the years to help provide analyses relating to organizational and program design and operation.

My writings have appeared in publications including *Public Administration Review*, *The Administrative Law Journal*, *American Banker*, and *The Wall Street Journal.* I edited, with Benjamin Ginsberg, *Making Government Manageable: Executive Organization and Management in the 21st Century* (Johns Hopkins University Press, 2004), and also edited, *Meeting the Challenge of 9/11: Blueprints for Effective Government* (M.E. Sharpe Publishers, 2006). My writings on GSEs include many articles and two books, *A State of Risk: Will Government-Sponsored Enterprises be the Next Financial Crisis?* (HarperCollins, 1991); and *Government-Sponsored Enterprises: Mercantilist Companies in the Modern World* (AEI Press, 2002).

I am a Fellow of the Center for the Study of American Government at the Johns Hopkins University, where I teach several courses, including the program's core course for the MBA/MA in Government. In 2006 I received the award for Excellence in Teaching. I am a member of the board of directors of the National Academy of Public Administration (NAPA), and am past Chair of the NAPA Standing Panel on Executive Organization and Management. I served as a member of the federal Senior Executive Service at the Federal Trade Commission for almost five years. My B.A. degree is from the University of California at Davis, M.A. from Yale University, and J.D. from the Harvard Law School.