

Politics

Trump Tells Fannie, Freddie to Buy \$200 Billion of Mortgage Debt

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January 8, 2026 at 3:46 PM CST

Updated on January 9, 2026 at 2:47 AM CST

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Mortgage-backed securities [rallied](#) relative to Treasuries on the news, while mortgage-linked stocks including Rocket Cos. Inc. and [LoanDepot, Inc.](#) [rose](#) .

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Fannie Mae and Freddie Mac, government-sponsored enterprises that the US bailed out during the 2008 financial crisis, have already been increasing their holdings of mortgage bonds. The housing-finance giants grew their retained portfolios – the portion of bonds and loans they hold onto rather than sell to investors – by more than 25% in the five months through October, according to recent figures.

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Citigroup estimated late last year that if the two GSEs were to boost their portfolios by \$250 billion then risk premiums on the bonds could drop by about 0.25 percentage points, potentially translating into a similar size drop in the mortgage rates that consumers pay.

Still, some analysts weren't convinced the move would have a major impact. Neil Dutta, Renaissance Macro Research's head of economics, noted that mortgage spreads have already tightened.

"So, I am not sure what this action will really do. Much of the juice appears to have been squeezed," Dutta said.