USFTMC: ONE PARENT, TWO CHARTERS

A Transaction Blueprint & Call to Action for Fannie Mae, Freddie Mac & U.S. Financial Technology

Three Businesses. Real Competition. Less Duplication.

1 + 1 + 1 = 10

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Illustrative transaction proposal. Not legal, tax, accounting or investment advice.

Introduction

On August 25, 2026, I published One Company, Two Charters, proposing U.S. Financial Technology and Mortgage Corporation, or USFTMC, as one possible path for the future of Fannie Mae, Freddie Mac & U.S. Financial Technology.

The concept is simple: one publicly traded parent, two federal charters, two separately capitalized & independently operated mortgage companies, and one shared technology and securitization platform.

Since publishing the original paper, I have spent considerably more time on the legal & transaction mechanics, and the more I have looked at them the more confident I have become in the original thesis. I also found one technical citation in the original paper that needs to be corrected / I do not have a phalanx of attorneys, investment bankers & advisors assisting me with these papers.

Through Oksenholt Capital Management and affiliated entities, I beneficially own a seven-figure number of Freddie Mac common shares and a six-figure number of shares in more than one Fannie Mae/Freddie Mac junior preferred issue. I obviously have a substantial economic interest in the outcome.

These securities involve substantial political, regulatory, capital structure, litigation & transaction risk. There is no assurance that this or any other restructuring will occur or that existing shareholders will receive favorable treatment. This is an illustrative proposal showing one way I believe the pieces could fit together.

I also want to give some credit for the inspiration to the Great American Mortgage Corporation image President Trump posted in August 2025, which subsequent reporting indicated originated with FHFA Director Bill Pulte. It was a beautiful concept & it raised a much bigger question than simply putting yesterday's Fannie Mae and Freddie Mac back on an exchange:

Why can't America have one great publicly traded mortgage-finance platform while preserving two separate federal charters & real competition underneath it?

USFTMC is my proposal. I have no basis to suggest Pulte, President Trump, Treasury, FHFA or anyone else in the Administration has endorsed it.

Pulte and Lutnick have generally pushed for action on Fannie and Freddie. Bessent has repeatedly focused on mortgage rates and spreads and, from everything I can see publicly, appears to be the holdup.

From everything I can see publicly, Scott Bessent appears to be the holdup. He didn't create Treasury's consent right over release. He inherited it. Treasury holds the senior claims, its consent is required for a voluntary exit from conservatorship & Bessent has repeatedly made mortgage rates and spreads his test for moving forward. In February 2025 he said a safe and sound release would hinge on long-term mortgage rates. In December he said an offering would require mortgage/Treasury spreads to stay the same or come down. He has not said that test has been met.

Bessent's disagreements with Pulte and Lutnick are also public. He acknowledged the Pulte confrontation under oath, and Barron's described their fight over Fannie and Freddie as a turf war. He has separately clashed with Lutnick.

If mortgage spreads are Bessent's concern, protect them. Preserve the government support President Trump has said will remain, protect UMBS fungibility & liquidity, and solve the capital structure. Recent Urban Institute work concludes that UMBS can survive Fannie and Freddie exiting conservatorship. I have yet to see evidence that USFTMC, an uplisting or a properly structured recapitalization has to widen mortgage spreads. There are dozens & dozens of ways to solve for this. It is time to put the solutions hat on.

USFTMC is what I would do, including because U.S. Financial Technology could become a tremendous third business. But if Bessent cannot get comfortable with USFTMC or something like the Great American Mortgage Corporation concept floated by President Trump, uplist Fannie and Freddie separately & let them compete hard.

Whatever happens with Fannie and Freddie, don't waste the opportunity sitting inside U.S. Financial Technology. Commercialize it & get the value out of it. Build the data, risk & analytics business around the CSP while keeping the common securitization infrastructure neutral between the two companies. That opportunity is too valuable to leave behind just because a different ownership structure is chosen.

I also give Pulte substantial credit for attacking what I view as years of bureaucratic bloat at Fannie Mae and Freddie Mac. These are enormous financial institutions with important public missions. They should be run safely & efficiently without unnecessary layers of management, duplicated functions & processes that no longer make sense. Technology should allow both companies to do more with less.

After a deeper review of HERA, the Charter Acts, the PSPAs & the proposed structure, I think the legal case for USFTMC is stronger than when I published the original paper. I haven't found a statute that says you can't do this. In fact, I found additional language in the law that makes the case stronger.

The remaining issues are ownership, Treasury, capital, antitrust, mortgage rates, UMBS liquidity & execution. None of them should be an excuse to stop working.

1. Can a Corporation Own Fannie Mae & Freddie Mac?

Fannie Mae's Charter Act provides for the free transferability of its stock to any “person, firm, corporation, or other entity.” Freddie Mac's Charter Act contains parallel language. Its voting common stock is freely transferable to any “person, firm, corporation or other entity.”

There is one technical citation correction to the original white paper. The paper cited 12 U.S.C. §1452 for Freddie Mac's stock-transfer provision. The correct citation is 12 U.S.C. §1453(b). Section 1452 remains relevant to Freddie Mac's corporate governance, but §1453(b) contains the stock-transfer provision.

Freddie's Charter Act also says its common stock may be subject to limitations on concentration of ownership established by the Corporation. If an ownership limit matters to the deal, address it directly along with FHFA's review of the transfer of control under §4513. I wouldn't ignore the issue, but I also wouldn't let it stop the work.

Both Charter Acts therefore contemplate Enterprise stock being owned by a corporation or other entity.

The proposal leaves both federal charters, statutory missions & powers exactly where they are and puts a parent above the two companies.

That isn't a merger of Fannie and Freddie into one GSE.

2. HERA Expressly Contemplates Control

HERA defines an “affiliate” as an entity that controls, is controlled by, or is under common control with an Enterprise.

HERA also gives the FHFA Director authority under 12 U.S.C. §4513 to review and, when warranted, reject an “acquisition or transfer of a controlling interest in a regulated entity.”

The statutes contemplate both corporate ownership of Enterprise stock and transfers of controlling interests in regulated entities. I don't read them as prohibiting the type of parent structure proposed here.

Section 4513 doesn't itself create USFTMC. But the statute plainly contemplates transfers of control.

Fannie and Freddie stay where they are. A state-law parent sits above them, with FHFA and Treasury involved wherever approval or consent is required. The federal missions, charters, regulated capital and mortgage guarantees stay below at the Enterprises.

I still haven't found anything in the statutes requiring an Act of Congress to create the parent. The transaction should be structured under the authority that already exists.

3. The Government Corporation Control Act

This is one part of the original paper I would state differently today.

31 U.S.C. §9102 provides that a federal agency may establish or acquire a corporation “to act as an agency” only pursuant to specific federal authorization.

The original paper placed too much weight on Texas incorporation. The operative words in §9102 are ‘to act as an agency.’

USFTMC would be a Texas state-law public holding company that owns stock. It would have no federal charter and would not issue Enterprise MBS guarantees; those statutory businesses remain at Fannie and Freddie.

The §9102 issue therefore turns on whether USFTMC would be established or acquired ‘to act as an agency.’

FHFA has also already directed Fannie Mae and Freddie Mac to create shared state-law infrastructure through the entity now known as U.S. Financial Technology LLC. It is not precedent for the whole transaction, but it is useful evidence that important shared functions can sit in a state-law entity inside the Fannie/Freddie structure.

4. Use Conservatorship to Get It Done

Fannie Mae and Freddie Mac do not need to exit conservatorship before the work begins.

HERA gives FHFA broad authority as conservator. FHFA succeeds to the rights, titles, powers & privileges of the Enterprises and their stockholders, directors & officers. It can operate the companies and exercise the powers of their shareholders, boards & management. HERA also expressly contemplates conservatorship for purposes including reorganizing or rehabilitating a regulated entity. I would use that authority to get as much of the work done as possible / much of the transaction can be prepared before release.

FHFA already controls both companies. Treasury is already at the table through the PSPAs, Senior Preferred Stock & warrants. The government can work on the parent structure, competition rules, capital requirements, Treasury settlement, UMBS protections, SEC preparation & antitrust review while Fannie and Freddie remain in conservatorship.

Only the pieces that legally have to wait for closing or a later change in status need to be left until then.

Treasury, FHFA, DOJ, the Enterprises, investment banks, accountants & transaction counsel can work on different pieces at the same time. The government has the resources, the issues are known & most have more than one answer.

5. Mortgage Rates & UMBS

Mortgage Rates Cut Both Ways

I agree with Bessent that mortgage rates have to be protected, but that concern cuts both ways. Fannie Mae and Freddie Mac have now been under government conservatorship for nearly two decades. Government-controlled companies are not always models of efficiency / although I think we are fortunate to have an unusually capable FHFA Director in Bill Pulte right now, who I have called the “Turnaround King.” That will not always be the case.

There is a cost to leaving things as they are too. Unnecessary overhead, duplicated functions, excess capital costs or simply an inefficient structure ultimately have to be paid for by somebody.

President Trump has already addressed perhaps the most important part of the mortgage-rate equation. He has said the U.S. Government will keep its implicit guarantees while maintaining strong oversight as Fannie and Freddie are taken public. Preserve that backstop, preserve UMBS & TBA liquidity and keep strong FHFA oversight. A major source of potential spread uncertainty is then being addressed directly rather than left to the market to guess about.

Mortgage rates should be solved for in the transaction itself. Keep the existing market infrastructure working, eliminate unnecessary costs and test whether one larger public parent can be financed more efficiently than two separate recapitalizations. There has been plenty of time to figure this out.

And there is an opportunity to do better than simply returning the old Fannie Mae and Freddie Mac to the public markets. USFTMC could potentially lower costs, improve capital-market efficiency & preserve the government protections that help keep mortgage rates down while still putting private-market discipline back into the companies.

Before UMBS, Fannie Mae and Freddie Mac securities traded in separate markets and the difference in liquidity created a pricing disadvantage. FHFA didn't solve that by eliminating Freddie or eliminating competition. It combined the securitization infrastructure.

Today Fannie and Freddie use the Common Securitization Platform and issue into the same UMBS market while continuing to compete for mortgage business. FHFA says UMBS effectively merged the formerly separate MBS markets, broadened & enhanced liquidity in the secondary mortgage market and reduced costs to taxpayers. A July 2026 Urban Institute analysis concluded that UMBS can survive Fannie and Freddie exiting conservatorship. Shared infrastructure & competition already coexist.

UMBS fungibility & liquidity can be protected in the transaction.

Nothing about USFTMC should create a real or perceived quality difference between Fannie-issued and Freddie-issued UMBS. Parent-level capital allocation, branding, data access or operating decisions cannot be allowed to fracture the common market or undermine TBA liquidity.

A transaction that raises capital costs, widens MBS spreads or creates uncertainty around government support needs to be redesigned before it closes. The implicit guarantee, UMBS, TBA liquidity, FHFA oversight and adequate capitalization are all things we know how to preserve.

USFTMC gives us another way to do it. Fannie and Freddie can keep competing for mortgage business while investors own one larger public parent & the market keeps the securitization infrastructure already in place.

One larger public parent may also have a lower cost of capital than two enormous standalone recapitalizations. That should be analyzed before a final structure is chosen.

If USFTMC produces a lower overall cost of capital, some of that benefit should ultimately flow to homeowners.

6. Treasury & the Capital Structure

Treasury has to be part of the transaction, which isn't exactly a surprise.

The PSPAs restrict major corporate actions, including recapitalizations, reorganizations, mergers, acquisitions & certain equity transactions. Treasury also has important rights relating to termination of conservatorship.

Treasury holds the Senior Preferred Stock and warrants allowing it to acquire 79.9% of the common stock of each Enterprise on a fully diluted basis, subject to the warrant terms.

There is also a clock. Treasury's warrants expire September 7, 2028. And since January 2025, Treasury again has an express consent right over release from conservatorship. Neither fact prevents the work from beginning now. They are reasons to start doing it.

Those interests have to be resolved as part of the transaction. In my view, the Senior Preferred Stock should be deemed repaid in full. At the very minimum, the enormous payments already made to Treasury should be credited against it. The Enterprises received capital support through a conservatorship structure they did not choose, while the PSPAs and later Net Worth Sweep left them without an ordinary path to repay or redeem the Senior Preferred. The warrants, junior preferreds and new capital still have to be dealt with, but converting the Senior Preferred into common equity is not the approach I am proposing.

The remaining capital-structure mechanics will depend on valuation, capital requirements, investor demand & what the government wants to accomplish.

USFTMC may actually give Treasury another useful option: instead of ultimately managing two enormous public equity positions, some or all of the government's economics could potentially be represented in one larger publicly traded parent. That is worth evaluating, not something this proposal depends on.

At the end of the day, investors need to understand what they own, both companies need enough capital & taxpayers need a fair outcome. The deal also has to leave enough upside for private capital to show up.

Illustrative Capital-Structure Paths

Security / Issue	Illustrative treatment
Senior Preferred	Deem repaid in full. At the very minimum, credit the enormous payments already made to Treasury against the Senior Preferred balance. No Senior Preferred-to-common conversion is assumed or proposed here.
Treasury Warrants	Exercise at the Enterprises and contribute the shares, exchange/settle for TopCo economics, or negotiate another treatment before the 2028 expiration.
Junior Preferred	Exchange into TopCo or leave them at Fannie and Freddie, depending on the final deal.
Existing Common	Exchange into USFTMC using disclosed, independently supported exchange ratios.
New Capital	Raise the capital the deal requires & put it where Fannie and Freddie actually need it.
Treasury / Public Float	Show Treasury's post-transaction economics and the actual public float before marketing the deal. Show investors exactly what Treasury owns, what existing shareholders get & where the new money goes.

7. Competition in Perpetuity

If one parent owns Fannie Mae and Freddie Mac, the obvious question is what keeps them competing.

MBA has raised what I think is the strongest objection to the proposal: if one parent owns both companies, will they really compete? The solutions can be built into the deal.

Fannie and Freddie remain separately chartered, separately capitalized & separately managed, with separate operating-company boards, management, underwriting, pricing, credit policy, products, lender relationships, business plans & decision-making. The parent shouldn't decide who wins a loan. Fannie and Freddie should. Those protections can also be made permanent so they don't depend on who happens to be running USFTMC at the time.

HERA already tells us what we're supposed to preserve: a housing-finance market that is “liquid, efficient, competitive, and resilient.”

Fannie and Freddie should keep fighting for business on pricing, underwriting, credit, products & lender relationships, with separate capital behind each company. Shared infrastructure should not change that.

Information barriers are part of that, but they aren't the whole answer. Common ownership can also affect the economic incentive to compete / so preserve the incentives too. Tie management compensation to the performance of the individual Enterprise. Use subsidiary-specific performance measures or other economic incentives where helpful.

Give the people running Fannie a reason to beat Freddie and the people running Freddie a reason to beat Fannie.

Don't leave those protections to goodwill. FHFA can use regulation, orders & ongoing supervision to keep the parent out of loan-level guarantee fees, credit overlays, product eligibility and lender allocation, with the corporate documents reinforcing those limits. Separate Enterprise capital also prevents the parent from starving one competitor to favor the other, and the information barriers around U.S. Financial Technology and the CSP can be independently tested.

Don't share so much that anyone starts wondering whether the parent is picking winners between Fannie and Freddie.

Technology, securitization infrastructure, procurement and selected administrative functions are different. Where sharing them saves real money without changing who wins mortgage business, share them.

U.S. Financial Technology and the Common Securitization Platform should remain neutral between the two Enterprises. Shared infrastructure shouldn't become a back door for either company, or the parent, to obtain the other's competitively sensitive information or influence its competitive decisions. Fannie and Freddie can use the same infrastructure without sharing the information they use to compete.

Put that actual list in front of DOJ early, while there is still time to change it. If DOJ wants more separation or stronger subsidiary economics, build that into the deal before closing.

The exact mechanics can be worked out with DOJ, FHFA & Treasury as the transaction takes shape.

8. Competition Doesn't Require Two of Everything

Fannie Mae and Freddie Mac already have the same federal regulator, remain in federal conservatorship, operate pursuant to federal statutory missions, jointly own U.S. Financial Technology, use the same Common Securitization Platform and issue the common UMBS through that infrastructure.

They already share some of the most important infrastructure in the mortgage market while competing for mortgage business.

Why are taxpayers, lenders & ultimately borrowers paying for two of everything when the duplicated function has nothing to do with competition?

You don't need two versions of every technology function, procurement system, administrative process or layer of corporate overhead to make Fannie and Freddie compete. You need independent companies fighting for business on pricing, underwriting, credit, products, service & lender relationships.

Keep the competition where it matters. Stop paying twice where it doesn't.

9. U.S. Financial Technology

The Common Securitization Platform is already one of the most important pieces of mortgage infrastructure in America. I think there is a much larger business that can eventually be built around it.

U.S. Financial Technology sits at the center of enormous amounts of mortgage and securitization data. With appropriate governance & regulatory approvals, there is an opportunity to build businesses around data, analytics, risk, prepayment information, credit performance, scenario analysis & other tools used throughout the mortgage market.

The original white paper separately valued U.S. Financial Technology when its future earnings were not already included in the Fannie/Freddie earnings assumptions. That still makes sense.

If U.S. Financial Technology eventually generates meaningful earnings included in consolidated USFTMC earnings, those earnings belong in the consolidated valuation. Until then, a separate strategic value can be analyzed / just don't count it twice.

10. How I Would Put It Together

I would start with the structure itself. Form USFTMC as the proposed state-law parent and determine the exchange mechanics that put the appropriate Fannie and Freddie equity interests underneath it while leaving both federal charters where they are.

While that is happening, decide what USFTMC is not allowed to do, what Fannie and Freddie must continue doing separately, what can be shared, how the subsidiary boards work & how management incentives keep the two Enterprises fighting for business.

Treasury's entire economic position can be addressed as part of the same transaction. My starting point on the Senior Preferred Stock is repayment in full, or at the very minimum full credit for the enormous payments already made to Treasury. The warrants, PSPA consents, treatment of existing securities and the amount of new private capital required can then be worked through together. The warrant treatment belongs with the rest of the capitalization, not in a separate exercise.

DOJ can be brought in early enough that any concerns can be addressed while the transaction is still taking shape, and the investment banks can test the financing alternatives at the same time. That gives DOJ an opportunity to weigh in on the shared functions, subsidiary economics & any additional restrictions before everything is locked down.

The financing can also be tested against two standalone recapitalizations. Investor demand, required capital, MBS spreads, UMBS/TBA liquidity and Treasury monetization are all measurable. The same is true on competition. Fannie and Freddie need the information, management incentives & economic reason to continue fighting each other for business.

If those pieces work, the result can be a liquid, efficient, competitive & resilient market, exactly what HERA calls for.

For me, the deal also has to protect homeowners, preserve UMBS, give Treasury a workable monetization path & keep U.S. Financial Technology neutral between the two guarantors.

SEC registration, financial statements, exchange mechanics, listing preparation & investor materials can be prepared while those decisions are being made.

Once Treasury's position, capital requirements and transaction structure are known, raise the capital actually required. Don't start with an arbitrary capital-raise number and force the transaction around it.

Then close the pieces in whatever sequence works best. Some may happen during conservatorship. Others may become effective with a change in conservatorship status. Treasury may monetize immediately or over time. U.S. Financial Technology can be developed further after the basic transaction closes.

Most of what is needed is already sitting there. It just needs to be put together in a sensible manner.

Conclusion

I still think USFTMC is the best answer. It keeps Fannie and Freddie competing, gives Treasury one larger transaction to work with & creates a real opportunity to turn U.S. Financial Technology into a valuable third business. It also stops paying twice for things that have nothing to do with who wins a mortgage.

If USFTMC can't get done, fine. Uplist Fannie and Freddie separately, preserve UMBS and the government support President Trump has said will remain & commercialize U.S. Financial Technology anyway. There is too much value sitting here to make everything depend on one structure.

Conservatorship by its nature is temporary, yet this one has lasted 18 years, including for retail investors who have owned these securities throughout it. At some point it has to end & it can be done in a way that benefits everyone. I've shown the structure I would choose & why. There are other ways to get this done, and no good reason to let disagreement stop everything else. It's time to pick one & move.

Selected Sources

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