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**President James Bullard Addresses
Questions on Regulatory Reform Proposals
May 6, 2010**

What should be done about Fannie Mae and Freddie Mac?

I think one thing you could do is have smaller companies, regional companies or something like that. But somehow you'd have to get it so that they weren't viewed as being backed by the government. Then what you also want is more — just not everything has to be done through those guys, so you want a private market. What we've done is have the government — because these guys were in the game, no one else could play. What you want is something that will allow other players to grow up and succeed going forward. If you think about the breakup of AT&T, which was messy and created smaller regional phone companies, but on the other hand, it created a tremendous innovation in communications technology and a lot of success in many ways. We also had WorldCom, which was a disaster, but you did get a lot of innovation, and you got a lot of competition in that segment. I could imagine something like that happening in the mortgage market. The mortgage market is just completely broken the way it is right now, because it's been so distorted by the behavior of Fannie Mae and Freddie Mac.