Wealth management insights from Stifel's CIO Office

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Potomac Perspective

Welcome to 2026. The administration is leaning into the housing affordability issue as the President has proposed limits on the single-family rental sector and mortgage-backed security (MBS) purchases by the government-sponsored enterprises (GSEs). His announcement also calls into question a possible IPO for Fannie Mae and Freddie Mac. Mr. Trump also announced limits on buybacks, dividends, and executive compensation at defense contractors. However well intentioned, this raises the political risk for companies that do business with the federal government or have connections to national security.

- Banning Wall Street from Buying Single-Family Homes – In a social media post on Wednesday, President Trump said that he is taking immediate steps to ban large institutional investors from buying more single-family homes and called on Congress to codify the change. The last part of his statement is significant.
    - Limit but not prohibit – In our view, the President's options for limiting purchases of single-family homes by a class of buyers are constrained. We do not believe he can ban outright purchases. However, he could instruct federal agencies such as the Federal Housing Finance Agency (FHFA) and the Federal Housing Administration (FHA) to change loan eligibility rules. FHFA could also restrict Fannie Mae and Freddie Mac from buying mortgages on single-family homes bought by institutional investors. The limits would likely be prospective rather than retroactive. Treasury could also consider revising tax rules related to single-family rental acquisitions and portfolios.
    - Congressional action – An outright ban on purchases would require legislation. In our view, the odds of legislation passing Congress are low, despite bipartisan criticism of the SFR industry.
    - Mortgage bonds and the GSEs – On Thursday afternoon, the President said he is instructing "his representatives" to purchase $200 billion in mortgage bonds. This is one of the options that we had expected the administration to pursue. The eye-catching part of Trump's post was that he called his decision in his first term not to sell the government-sponsored enterprises "truly great." This statement does not mean that Mr. Trump definitely won't change his mind and recap and release Fannie Mae and Freddie Mac during this term, but it makes us even more skeptical that the GSEs will be privatized in the coming months.
    - More to come – As we mentioned in our 2026 Outlook, housing affordability will be a priority for the Trump administration as the midterm elections approach. We expect to see more details on housing proposals when Mr. Trump speaks at the World Economic Forum in Davos, Switzerland, later this month and during his State of the Union Address in February.
- Limiting Buybacks, Dividends, and Executive Compensation of Defense Contractors – The President also issued an Executive Order that would prospectively restrict capital deployment and executive compensation at "underperforming" defense contractors and specifically called out Raytheon. This seems consistent with policies that were included in the 2026 National Defense Authorization Act (NDAA), which are intended to open up the procurement process to smaller firms. The goals of both the NDAA and the Executive Order seem to be to deliver better returns for the taxpayers by exposing larger defense firms to added competition and to promote a more results-driven format of corporate governance.
    - Risks beyond defense – Regardless of how well-intentioned the administration's policy might be, the risk of outside influence on management will increase for any company that does business with the government. This is

a heightened risk for any sector that is connected to national security. In 2025, the Trump administration announced equity investments in chip manufacturers like Intel. Limits on capital deployment at defense contractors are a derivative of that. Once this precedent has been set, we can see future administrations becoming even more activist than this one.

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