

**OPENING STATEMENT OF
CHAIRMAN PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE AND
GOVERNMENT SPONSORED ENTERPRISES
HEARING ON FHFA OVERSIGHT: CURRENT STATE OF
THE HOUSING GOVERNMENT SPONSORED ENTERPRISES
MAY 26, 2010**

We meet this afternoon to examine the Federal Housing Finance Agency and its oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. This hearing is the fourth in a series that the Capital Markets Subcommittee and the full Committee have so far convened this Congress to examine the future of housing finance.

The Housing and Economic Recovery Act of 2008 created the Federal Housing Finance Agency and gave the regulator many new powers. At the request of then-Secretary Paulson, the law also authorized the Treasury Department to provide emergency backstop liquidity for Fannie Mae and Freddie Mac. Within weeks of enactment, policymakers in the Bush Administration decided to place the two enterprises into conservatorship and make available government support.

Since then, the two enterprises have worked to improve the quality of the loans they buy and end problematic programs. The Treasury Department has also purchased \$144.9 billion in senior preferred stock of Fannie Mae and Freddie Mac. In addition, the government has acquired more than \$1.3 trillion of the enterprises' mortgage-backed securities. Together, these sizable commitments have helped to preserve housing credit during tough economic times.

As our housing markets have begun to stabilize, the government has now started to scale back its efforts. Specifically, at the end of March the Federal Reserve ended its program to purchase mortgage-backed securities. Going forward, we must continue to return to the private sector those functions that properly belong with the private sector. We need to closely monitor mortgage rates and investor demand, as well.

Chairman Frank has noted that two important points of consensus have emerged from our two most recent hearings on the future of housing finance. First, the enterprises' major losses have come from their pre-conservatorship activities. Second, the major players in our housing markets have agreed that we could cause considerable economic harm if we simply abolished Fannie Mae and Freddie Mac without putting something new in their place. I very much agree with both assessments.

We will in the near future complete our work on the Wall Street reform bill. During these debates, some have regularly sought to use questions about the future of Fannie Mae and Freddie Mac as a toxic poison pill to forestall progress on this must-pass legislation. I find this situation very unfortunate as the bill includes important provisions to alter the securitization process, impose risk retention requirements, and strengthen rating agency accountability.

Once we resolve these baseline policy issues, we can turn our full attention to broader questions about how to reorganize our housing finance system. Today's testimony will help us to determine how to move surgically and strategically on these important matters. It will also

help us to decide what elements of our housing finance system we need to keep and what aspects we should discard. In the months ahead, I plan to convene more hearings on these matters.

Before closing, I want to express my disappointment at the failure of our witness to respond to the request to address issues related to the Home Valuation Code of Conduct in his written testimony. The House-passed Wall Street reform bill contains my comprehensive appraisal independence and regulatory reforms, which many view as fixing the code's implementation problems. The bill also includes Congressmen Miller and Childers' amendment to sunset the code. Because Congress is very focused on these issues, we need an update from the regulator.

In sum, today's hearing is part of a deliberative process that will ultimately lead to a new housing finance system. My goals in these debates are to limit taxpayer risk and establish a more stable, long-term funding source to help hardworking, responsible middle class American families to buy a home with an affordable mortgage. I look forward to the testimony.
