

OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI

COMMITTEE ON FINANCIAL SERVICES

**HEARING ON THE FUTURE OF HOUSING FINANCE:
WHAT SHOULD THE NEW SYSTEM BE ABLE TO DO?**

MARCH 23, 2010

Mr. Chairman, last June the Capital Markets Subcommittee held the first hearing on housing finance in the 111th Congress to examine the present status and future structure of Fannie Mae and Freddie Mac. Today we continue with what will undoubtedly be a long-term negotiation about the prospective configuration of our nation's housing finance system.

As a result of considerable stress in our economy and because of a need to maintain access to affordable mortgages, then-Secretary Paulson placed Fannie Mae and Freddie Mac under conservatorship in late 2008. Since then, the Treasury Department has committed to purchase more than \$125 billion in preferred stock of the enterprises. Government agencies have also purchased in excess of \$1.3 trillion in mortgage-backed securities. Together, these actions and others have helped to keep housing credit available for America's middle class and prevented a complete collapse of our housing markets.

Lawmakers also must now begin to grapple with what type of housing finance system we should construct for the future. In this regard, we have no shortage of ideas. While we must give thoughtful consideration to each of these proposals, we must keep in mind the importance of why we created housing government-sponsored enterprises in the first place -- to increase liquidity and improve the distribution of capital available for home mortgages. My goals in these debates are to establish a more stable, long-term funding source to help average Americans buy a home; limit taxpayer risk through strong regulation; and ensure that the housing finance system continues to support community bank and credit union lending.

The task before us is not all that different from the one that engineers and policymakers faced in preparing for the Big Dig, the enormous construction project that significantly restructured how traffic flows through downtown Boston. We must figure out what pieces of the old housing finance system worked and keep them. We also need to determine what parts of the infrastructure we need to eliminate. In order to ensure access to affordable mortgages in the interim, we must additionally work to keep capital moving through the financial pipelines during our legislative debates. Finally, we must figure out how to pay for this enormous undertaking.

As we kickoff this year's deliberations, the Treasury Secretary has joined us. In the near future, we will also hear from the Secretary of Housing and Urban Development. After the completion of these initial proceedings by the full committee, the Capital Markets Subcommittee will renew its examinations of these matters by exploring more detailed and technical questions related to the government-sponsored enterprises and our nation's housing finance system.

In sum, Mr. Chairman, I appreciate your efforts in convening this hearing. As we receive testimony regarding what functions a new housing finance system should be able to perform, we also have to work to do no harm to those parts of the housing finance system that have worked well and protect taxpayers from future losses. I look forward to a fruitful set of discussions.
