

**STATEMENT OF THE HONORABLE WM. LACY CLAY**  
**Before the**  
**Subcommittee on Capital Markets, Insurance and Government Sponsored**  
**Enterprises**  
**“GSE Oversight: The Need for Reform and Modernization”**  
**June 25, 2003**

Good morning Chairman Baker, Ranking Member Waters, Members of the committee and witnesses.

The objective of this hearing is to begin the examination of the structural changes that may be necessary at the Office of Federal Housing Enterprise Oversight (OFHEO) to ensure comprehensive and complete oversight of Freddie Mac and Fannie Mae. As the subcommittee focuses on the current structure of regulatory supervision of the GSEs in an effort to ensure taxpayers and investors are sufficiently protected, let us make sure we are not throwing out the baby with the bath water.

We have tremendous housing issues in this country. There are many, many people who do not have access to decent, affordable housing or access to legitimate loans with reasonable rates. The African American community and the other minority communities suffer the most. Minority homeownership rates lag far behind those of whites. Further, predatory lenders are preying upon all Americans, and particularly African Americans, and are devastating communities across the country.

Fannie Mae and Freddie Mac are a big part of the solution to our housing problems. Also, they are taking leadership in the attack on predatory lending.

These GSEs perform a critical housing mission. In fact, they lead the market in lending to African –Americans and Hispanic families. I have worked tirelessly on this committee and with the GSE’s to create affordable housing opportunities. I do not think it prudent that this subcommittee take a step backward. If the end result of this process is legislation which calls for unnecessary delays in the approval of bringing new products and innovation to the market, I oppose this. The issue with Freddie Mac is an accounting one, not an SEC issue. As you know, Fannie Mae is already an SEC-registered company. Their registration with and regulation by the SEC is now mandatory.

The Congress gave Freddie Mac and Fannie Mae the mandate to create a secondary trading market to improve the functioning of home mortgage markets generally. They have done their jobs well and exceeded all expectations. Today, they are the dominant institutions in the secondary mortgage market.

Let me also note that Fannie Mae did not commit any violations or have mismanagement gaffes. Freddie Mac did. Fannie Mae has already been maligned as if it were a partner in this situation. Punish Fannie Mae if and when it does something

improper. We need to examine and rate them for the job that they have done and are doing. They are large because they are good at what they do. Ideally, that is the expected result in American business dealings. Those that do it best normally grow to be the biggest. Are we to punish for that? At this point, we should thank Fannie Mae, not spank them.

Mr. Chairman, I am not alone in my support of Fannie Mae and Freddie Mac. Recently, the 600 member National Black Caucus of State Legislators; the 60 affiliate Opportunities Industrialization Centers of America, and 4,300-member World Conference of Mayors unanimously passed a resolution opposing any congressional or state changes to Fannie Mae's status or mission. I support this resolution because, while I believe Congress must untangle the accounting problem at Freddie Mac, Congress must not hamstring the affordable housing mission of these GSEs with unnecessary regulatory burdens.

Mr. Chairman, I ask unanimous consent to submit my remarks for the record.