

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises

June 25, 2003

“GSE Oversight: The Need for Reform and Modernization”

I want to thank Subcommittee Chairman Baker for convening this important hearing on the oversight of the GSEs. The recent management reorganization of Freddie Mac should give us all pause to assess how well the operations of these GSEs are being monitored by the Office of Federal Housing Enterprise Oversight (OFHEO).

Freddie Mac and Fannie Mae account for billions of dollars in mortgage-backed securities which are widely held by pension funds, mutual funds and individual investors. Given the complexity of these institutions and their importance to the secondary mortgage market it is critical that their regulator be capable of exercising rigorous oversight to ensure their safety and soundness. Over the past six months, as Freddie Mac first announced that it would restate its earnings, and then dismissed its 3 top officers, OFHEO has appeared to be habitually slow to act and unable to predict these crises.

Chairman Baker has been tireless in his review of the issues surrounding the GSEs and was instrumental in the agreement by both Freddie Mac and Fannie Mae to voluntarily register their securities with the Securities and Exchange Commission. This voluntary registration will lead to more transparency into the operations of the GSEs, which will make for a more efficient and better informed marketplace.

The U.S. housing market has remained strong through difficult economic times and is the most sophisticated in the world. This is largely due to the liquidity provided through the secondary mortgage market in which Freddie and Fannie are the key players.

I look forward to hearing from our distinguished panel. Their insights as third party observers will be critical to our consideration of this issue and future actions this Committee may take.