

Opening Statement
Chairman Michael G. Oxley
House Financial Services Committee

**Subcommittee on Capital Markets, Insurance,
and Government Sponsored Enterprises**

“Review of the Federal Home Loan Bank System”
September 7, 2006

The Federal Home Loan Bank System has been critical in helping to create a liquid residential mortgage market. The Bank System also plays an important role in small business financing and the funding of affordable housing and community investment programs. From a congressional standpoint, ensuring the safety and soundness and mission performance of the Federal Home Loan Banks has never been more important.

I want to thank Chairman Baker for holding this timely hearing, in his continued strong oversight of the housing GSEs and their regulators.

I also want to welcome Finance Board Chairman Rosenfeld to the Committee this morning. It was just over one year ago that Chairman Rosenfeld last appeared before the Committee. We look forward to his update on the state of his agency and the Bank System.

The Finance Board required the Federal Home Loan Banks to register their stock with the Securities and Exchange Commission, in the belief that greater public disclosures would be beneficial. I am interested in the status of the registration process and related accounting reviews.

Sound corporate governance is critical to the functioning of any enterprise. In this regard, I am concerned that the Banks do not have full boards of directors. I would like to know why there has been a delay in appointing public interest directors and what reforms to this process Chairman Rosenfeld might support.

The Finance Board has issued a proposed rule, prescribing a minimum amount of retained earnings for each Bank and limiting the amount of excess stock that a Bank can have. As Mr. Frank and I stated in a recent letter to Chairman Rosenfeld, the potential impact of this proposal is vitally important to the Banks, their members, and the housing finance system. We are concerned that the proposed changes may go too far and actually harm the Bank System more than protect it.

I appreciated Chairman Rosenfeld's response that the Finance Board is taking an open-minded and cautious approach to this rulemaking and that any further actions will take into account the consequences for the Banks and their members. I look forward to an exchange of views today on this important subject.

Lastly, I want to reiterate the urgent need for GSE regulatory reform. The House has acted with strong, bipartisan legislation. We urge the Senate to move ahead and stand ready to complete the process, so that Congress can give the President a bill this year. The differences are few, but time is getting short. This Congress should not close without addressing the serious inadequacies of the current GSE regulatory system. We look forward to working with Chairman Rosenfeld and the Federal Home Loan Banks in pursuit of this worthy goal.