

September 25, 2003

Opening Statement by Congressman Paul E. Gillmor  
House Financial Services Committee  
Full Committee Hearing on Regulatory Oversight of the Government Sponsored  
Enterprises

Thank you, Mr. Chairman, for holding this important hearing and for your continued leadership on this issue. I would like to take this opportunity to extend a special welcome to David H. Hehman, the President and CEO of the Federal Home Loan Bank of Cincinnati in the great State of Ohio, which provides a great service to many banks in my district, the Fifth Congressional District of Ohio.

I think we're all in agreement that the current system of regulatory oversight for our Government Sponsored Enterprises (GSEs) needs to be reformed. Today, I look forward to a full discussion of all the proposals before us with the benefit of Treasury Secretary John Snow and Housing and Urban Development (HUD) Secretary Mel Martinez' remarks from our last hearing on this issue.

Late last year, in the wake of the Enron scandal and subsequent revelations of widespread problems in the accounting industry, the Federal Home Loan Mortgage Company (Freddie Mac) announced that it would have to restate its earnings after it fired its former auditor, Arthur Anderson.

This reevaluation kept Freddie Mac from upholding their voluntary agreement to file with the Securities and Exchange Commission (SEC) as the Federal National Mortgage Association (Fannie Mae) did in April of 2003. Two months later the Office of Federal Housing Enterprise Oversight (OFHEO) released its annual report to Congress addressing the upcoming earnings restatement by Freddie Mac, while expressing satisfaction with the independence of their internal and external audits and confidence in the actions of Freddie Mac's Board of Directors.

It concerns me greatly that the responsible federal regulator, OFHEO, was clearly unaware of these problems inside the management of Freddie Mac and was previously unaware of their need for an earnings restatement. OFHEO simply was not doing its job.

I am pleased to be an original cosponsor of Chairman Baker's legislation, the Secondary Mortgage Market Enterprises Regulatory Improvement Act (H.R. 2575), moving Fannie Mae and Freddie Mac under the supervision of the Treasury Department. I think it is very important that Treasury maintain full regulatory authority over Fannie Mae and Freddie Mac to ensure their safety and soundness.

With regard to the mission of Fannie Mae and Freddie Mae, including approval of new programs and fulfillment of affordable housing goals, I feel both Secretary Snow and Martinez made clear that a consultation process could be established allowing the Treasury Department to benefit from HUD's knowledge in this area without giving up regulatory authority.

Thank you again, Mr. Chairman, for calling this important hearing and I look forward to an informative session.