

**OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI**  
**COMMITTEE ON FINANCIAL SERVICES**  
**THIRD HEARING ON REGULATORY OVERSIGHT OF**  
**GOVERNMENT SPONSORED ENTERPRISES**  
**THURSDAY, SEPTEMBER 25, 2003**

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Mr. Chairman, before we hear today from our numerous witnesses about their views on the need to alter the current regulatory system for government-sponsored enterprises or GSEs, I believe it is once again very important to highlight some of my current thoughts on these matters.

As my colleagues already know, I support strong and independent GSE regulation. A strong regulator, in my view, will protect the continued viability of our capital markets and promote confidence in Fannie Mae and Freddie Mac. It will also insure taxpayers against systemic risk and expand housing opportunities for all Americans.

We must, however, tread carefully in developing any legislation to modify the GSE regulatory system. The housing marketplace is one of the most vibrant sectors in our struggling economy, and we must ensure that our actions in Washington will not lead to unintended consequences in places like Scranton, Baton Rouge, Findlay, or Fall River.

At our last hearing on GSE issues, senior officials within the Bush Administration indicated that there was no "crisis" that demanded the immediate attention of the Congress. Consequently, instead of rushing to judgment, we ought to move in a judicious and objective manner in these matters to make sure that we properly construct an appropriate regulatory system. In other words, the obligation to create an effective regulatory system should guide the timing of our deliberations instead of meeting some arbitrary deadline for taking action.

In developing any enhanced GSE regulatory system, I further believe that we should perform deliberate surgery. We should therefore abstain from considering radical proposals that would fundamentally change the ways in which the GSEs operate and the charters of the GSEs. We must also ensure that the GSEs continue to achieve their statutory objective of advancing affordable housing opportunities for low- and middle-income families.

As you know, Mr. Chairman, at the start of our two most recent hearings on GSE matters, I have outlined five principles to guide our consideration of GSE regulatory reform legislation. Today, I feel it very important to expand my previous comments on one of these principles: regulatory autonomy.

In recent weeks, I have participated in numerous meetings with many experts on GSE matters. The majority of these individuals have counseled me that in order to maintain credibility and be effective, a strong GSE regulator must have genuine independence from the political system. In their prepared statements, many of today's witnesses also recognize the importance of and need for regulatory autonomy. Accordingly, they will call upon us to adopt such a system in any GSE regulatory reform bill.

Additionally, several others who will not testify before us at this hearing have noted the importance of statutorily protecting any new GSE regulator from improper political influence. For example, the Independent Community Bankers Association has strongly urged us to

“construct legislation containing appropriate firewalls and independence” between any new safety and soundness regulator for Fannie Mae and Freddie Mac and the Treasury Department’s “politically appointed policy makers.” We should heed their sensible advice.

The National Association of Realtors has also recommended that any new GSE regulator within the Treasury Department should have “necessary and sufficient firewalls to ensure its political and operating independence” comparable to those that presently exist for the Office of the Comptroller of the Currency and the Office of Thrift Supervision. I wholeheartedly agree. The OCC and OTS models provide us with an effective framework for constructing a new GSE safety and soundness regulator.

Specifically, if we ultimately decide to alter the safety and soundness regulation of Fannie Mae and Freddie Mac and to move the regulator to the Treasury Department, this new agency should have the authority to submit testimony, recommendations and reports to Congress without the prior review or approval of the Secretary. It should further have the ability to issue rules and regulations without the review and approval of the Secretary. Additionally, it should have the power to initiate and complete supervisory and enforcement actions without intervention by the Secretary. It should also have independent litigation authority. Finally, we should prohibit the Secretary from merging the responsibilities of this new office with any other regulator.

In closing, Mr. Chairman, I commend you for your leadership in these matters. I also look forward to continuing to work with you to develop a balanced, bipartisan plan of action for reforming GSE safety and soundness regulation, ensuring the independence of the new regulator, and preserving the affordable housing mission of Fannie Mae and Freddie Mac.

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