



House Committee on Financial Services

Michael G. Oxley (OH), Chairman



News

Opening Statement Chairman Michael G. Oxley Financial Services Committee

Improvements to GSE Regulation
September 25, 2003

Today, the Financial Services Committee will hear from the regulators, the regulated, and outside parties interested in the oversight of the housing Government Sponsored Enterprises. Two weeks ago, Secretaries Snow and Martinez came to the Committee with the Administration's proposal to improve regulatory oversight of the GSEs. They proposed developing a "world-class" regulator with the tools to rigorously supervise the activities of these highly complex financial institutions.

The Secretaries called for the regulator to be housed in the Department of Treasury as an individual office, similar to that of the Office of the Comptroller of the Currency. Additionally, the proposal called for the Department of Housing and Urban Development to retain its role as regulator of the GSE's mission and to ensure that the agencies meet their affordable housing goals. HUD's expertise in this area is critical, and under the Administration's proposal, the Department would receive additional powers to enforce compliance with the housing goals.

There is broad agreement that the current regulatory structure for the GSEs is not operating as effectively as it should. The Office of Federal Housing Enterprise Oversight is under-funded, under-staffed, and unable to fully oversee the operations of these sophisticated enterprises. This was reflected in the surprise management reorganization by Freddie Mac, and by Wall Street reports stating that GSE oversight is viewed with skepticism because OFHEO is largely seen as a weak regulator.

A strengthened regulator will send the signal to the markets that these entities have solid management, and are engaging in safe and sound activities. Confidence will be restored in the GSEs, and they will be able to get back to their important work of expanding homeownership opportunities without the distractions that have been plaguing them over the past several months.

Fannie Mae and Freddie Mac have done a good job of promoting home ownership and providing liquidity to the secondary mortgage market. These GSEs have quickly grown into large financial institutions that have a major impact on the housing market and the domestic economy. We must ensure that they have competent and thorough oversight,

while making certain that any action we take does not have a negative impact on access to housing.

I am encouraged by the letters and statements of support the Committee received following the last hearing on GSE regulatory reform. I hope today serves as an opportunity for Members to learn more about the need for changes to the GSE regulatory structure and how that can be accomplished.

I'd like to thank our Capital Markets Subcommittee Chairman Richard Baker for his years of work to strengthen the regulatory structure of the GSEs. His expertise on this issue serves our Committee well. His numerous hearings, studies and bills, provide our Committee with an informed background on which to move forward.

I welcome the witnesses and I look forward to their testimony.

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