



*Hearing on H.R. 2575,  
the Secondary Mortgage Market Enterprises Regulatory Improvement Act*  
**Before the  
Committee on Financial Services  
United States House of Representatives**

**TESTIMONY  
Concerns about the Program Oversight of GSE Housing Programs**

September 25, 2003

By

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The Urban League is the nation's oldest and largest community-based movement devoted to empowering African Americans to enter the economic and social mainstream.

The Urban League movement was founded in 1910. The National Urban League, headquartered in New York City, spearheads our nonprofit, nonpartisan, community-based movement. The heart of the Urban League movement is our professionally staffed Urban League affiliates in over 100 cities in 34 states and the District of Columbia.

The mission of the Urban League movement is to enable African Americans to secure economic self-reliance, parity and power and civil rights. On behalf of the League, I thank Chairmen Oxley and ranking member Congressman Frank for this opportunity to share the thoughts of the League on this important topic.

The size of securities and mortgage backed security instruments issued by Government Sponsored Enterprises (GSE) is now larger than the market for U.S. Treasury notes. That makes the safety and soundness of these enterprises very important to the security of the American economy.

However, it is equally important to the reason Congress created GSE. In the case of the housing GSE the purpose was to create an effective market for residential mortgages, and this was in response to the lessons taught by history. The leverage given to the housing GSE by Congress was to accomplish increasing the access to the home mortgages to under served areas. This mission must remain paramount in assessing different measures of safety and soundness. For instance, the risk-based capital standards that were put in place last year are an example of this, since keeping minimum capital requirements creates a larger pool of funds available for mortgages.

The primary concern of the League in this issue is the maintenance of the housing GSE mission. Our housing office partners with both Fannie Mae and Freddie Mac to deliver a set of services that we integrate with programs from the banking industry, the Department of Housing and Urban Development (HUD) and others to try and increase home ownership in the African American community.

There is no simple answer to the disparity in homeownership rates between African Americans and whites. Access to credit is one part of the answer. Credit counseling is

another part of the answer. As an example, our program with Fannie Mae began in November 2000, with the signing of a five year Memorandum of Understanding that launched a demonstration project in six and then a seventh and eighth of our affiliates including Houston, Dallas, Seattle, Tucson, Rochester, Seattle, Atlanta and Stamford. Working with JP Morgan Chase, the project has put more than 500 families into homes, and got an additional 200 families prepared for homeownership. Several of those affiliates are at various stages in creating Community Housing Development Organizations, a next step in solving housing problems for low income and African American households in their cities. So, the Fannie Mae relationship is a catalyst that those affiliates have leveraged. The League has a similar program with Freddie Mac.

The key lesson learned from the experience of the National Urban League's housing office is that increasing homeownership requires a comprehensive approach. It was with foresight then that the housing GSE were put within HUD. The housing GSE should be viewed as a tool, among others, that can address the complexity of causes of the disparity in home ownership rates in America. And, it is in that regard that the National Urban League would be very concerned if program oversight were to be moved from HUD, even if safety and soundness oversight was moved to Treasury as some have proposed.

Program oversight should insure that the housing GSE keep to their charter and mission, but should also insure that the housing GSE programs fit into a coherent set of programs at HUD to create the largest affordable housing stock possible for America, and that huge disparities in home ownership faced by African Americans and Hispanics can be closed.

We would be concerned if the programs of the housing GSE are evaluated out of the context of a comprehensive housing program, that faulty conclusions could be reached on the effectiveness or appropriateness of the programs of the housing GSE, and that inappropriate safety and soundness standards might then cloud the mission of the housing GSE.

Still, improvements could be made in program oversight. Organizations like the National Urban League, and other community based and non-government organizations have worked to address the housing needs of underserved communities. Beyond comments to proposed rules, we hope that Congress will create a new way of rule setting to insure a transparent mechanism to insure HUD incorporates the views of such organizations in setting rules and regulations toward goal setting for the housing GSE, and in program oversight. This would incorporate the lessons learned by those organizations on the front lines of addressing the housing problem into assessing the likely effectiveness of a proposed program in closing the home ownership gaps experienced by underserved markets.