



Congressman  
**PAUL GILLMOR**

Ohio's Fifth Congressional District

**FOR IMMEDIATE RELEASE**

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**Opening Statement by Congressman Paul E. Gillmor**  
**House Financial Services Committee**  
**Subcommittee on Capital Markets, Insurance and Government Sponsored**  
**Enterprises**

**WASHINGTON, DC-** Congressman Paul E. Gillmor (R-Old Fort) released the following statement today during a hearing of the House Financial Services Committee's Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises entitled "The OFHEO (Office of Federal Housing Enterprise Oversight) Report: Allegations of Accounting and Management Failure at Fannie Mae":

Thank you, Mr. Chairman, for calling this hearing and for your continued leadership on this important issue.

Mr. Chairman, I am disappointed that we are here this morning to discuss yet another case of accounting irregularities and failed corporate governance, this time involving a company endowed with the public trust.

On September 17, 2004 the Office of Federal Housing Enterprise Oversight (OFEHO) released a report of its findings from their special examination of Fannie Mae. The report determined that Fannie Mae applied accounting methods and practices that did not comply with certain Generally Accepted Accounting Principles (GAAP) or GAAP rules, did not have proper corporate governance controls in place, and utilized an improper "cookie jar" reserve system while deferring expenses reportedly to meet compensation targets.

In fact, if the information we received is accurate, it appears that management "cooked the books" to enrich themselves by unjustified bonuses at the expense of shareholders and borrowers.

In light of these reports and the previous earnings restatements necessary at Freddie Mac, I hope we can have a full discussion today on the continued need for stronger supervision through a new regulator for these Government Sponsored Enterprises (GSEs). The housing GSEs were created to fulfill a public mission and support our housing market. Fannie Mae alone has almost \$1 trillion in debt tied to taxpayers and we can no longer ignore the serious threats to their safety and soundness that have been uncovered but were not prevented by a strong regulator.

As an original cosponsor of HR 2575, the Secondary Mortgage Market Enterprises Regulatory Improvement Act, I am disappointed that we have not yet been able to pass this important reform legislation but hope that the revelations of accounting and corporate governance problems at Fannie Mae will give greater urgency to our discussion of this important issue.

Thank you again, Mr. Chairman, for scheduling this hearing and I look forward to an informative and thorough discussion.

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