OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI

COMMITTEE ON FINANCIAL SERVICES

HEARING ON THE FUTURE OF HOUSING FINANCE:
A REVIEW OF PROPOSALS TO ADDRESS
MARKET STRUCTURE AND TRANSITION

SEPTEMBER 29, 2010

Mr. Chairman, at the most recent Capital Markets hearing on the future of our nation's housing finance system, we explored taxpayer protection issues. We need to continue working to minimize the Treasury Department's purchases of more senior preferred stock at Fannie Mae and Freddie Mac, and the Administration must work to hold accountable those entities that contributed to or exacerbated the housing crisis.

We must also focus more and more on what the new architecture for housing finance should look like and consider how we should transition to this new system. We must additionally work carefully to avoid repeating past mistakes and doing harm. Today's conversations will assist us in these important endeavors.

Some of the pending reform proposals suggest completely privatizing the housing finance market while others suggest imposing some form of an explicit government guarantee. Regardless of one's views, we can all agree that we must do something to change the status quo.

In reestablishing a healthy, stable housing finance system we need a thoughtful and deliberate discussion about what we ought to do. We should also have some goals. We need to limit taxpayer costs and risks. We additionally need to ensure that credit unions and community banks continue to have the ability to compete and offer affordable mortgages. We should further have sufficient players in this marketplace in order to protect against too-big-to-fail scenarios.

The Dodd-Frank Wall Street Reform and Consumer Protection Act has already helped to advance the debate on the future of housing finance by changing the rules for mortgage originations, risk retention, appraisal practices, and credit ratings. With these process reforms in place, we have laid a strong foundation upon which to determine what to do with the institutions that securitize the mortgages of responsible, creditworthy middle class American families.

As we consider transition issues today, we also need to remember that Fannie Mae and Freddie Mac now help to support just over 70 percent of new mortgages. A prudent evolution to a new housing finance system must therefore aim to proceed smoothly and avoid unnecessary market disruptions. Moreover, we cannot replace something with nothing, as several of my colleagues on the other side of the aisle have proposed.

In studying transition issues, we should further look to past precedents, like Sallie Mae's graduation from government sponsorship more than a decade ago. We can use the lessons learned, both good and bad, from our work with Sallie Mae's privatization to help guide us as we take on the difficult task of constructing a new housing finance system.

In sum, Mr. Chairman, I appreciate your efforts in convening this hearing, and I look forward to discussing the proposals offered by our witnesses.
