

**Statement by Rep. Michele Bachmann
House Financial Services Committee
Hearing on Treasury Action on Housing GSEs
September 25, 2008**

Thank you, Mr. Chairman, for convening this important hearing.

A week ago, it would have been inconceivable that today's hearing, focused as it is on the government bailout of Fannie Mae and Freddie Mac, could take a backseat to anything. But here we are, examining a bailout with a start-up price of \$200 billion that is dwarfed by Secretary Paulson's latest bailout proposal which costs three and a half times that amount. The two bailouts are inextricably linked; not just by their timing. It is incontrovertible that the failure of Fannie and Freddie are at the very core of the financial services sector crisis.

For years, Republicans pushed to reform Fannie and Freddie by scaling back their portfolios and empowering their regulator with the appropriate authority needed to ensure true financial soundness. We were met with strong opposition from the other side of the aisle and this reform was delayed for far too long. Congress waited until the last possible moment -- the moment when it was reacting to a crisis rather than preventing one -- to make any reforms.

And, though some progress was made with those reforms, there is still much work to be done to prevent future failure and future bailouts of the GSEs. We cannot just tinker around the edges; we must address the major structural problems. They operated for years with an implicit taxpayer guarantee. That guarantee is now explicit and that changes everything.

Privatizing these entities so they may function without the backing of the federal government would make them stronger, more efficient and more capable of playing their parts in the daily marketplace. And, the taxpayer would finally rid itself of the unfair and undeserved burden these mortgage giants have laid upon them.

I am pleased that Mr. Allison of Fannie Mae and Mr. Moffett of Freddie Mac are here today. I have been calling on their predecessors to resign for months. I believe this change of leadership was the right move for the GSEs and for our financial markets. It ensures a fresh start and helps erase investors' lack of confidence in the management of the massive GSEs.

Mr. Lockhart, I appreciate your appearance here today and look forward to your testimony. As you know, Fannie and Freddie own or guarantee mortgage-related obligations of more than \$5.4 trillion, an amount roughly equal to the United States' publicly held debt. I am glad that the Federal Housing Finance Agency (FHFA) exercised its new authority quickly over the GSEs, though I believe that receivership may have been more appropriate and I remain seriously concerned about the protection of taxpayers as this plan takes shape.

Additionally, two weeks ago, I sent you a letter cosigned by 37 Members of Congress urging you to refrain from financing the Housing Trust Fund that was recently authorized by the *Housing and Economic Recovery Act of 2008*. You may recall that the law provided for such suspension authority.

I've had serious concerns about the Housing Trust Fund from the beginning but regardless of one's views of its merits, there should be no disagreement that during the conservatorship and during this time of instability, neither the GSEs nor the American homeowner can afford to finance it. As my letter states, "The very fact that the GSEs need such a massive taxpayer bailout is proof that siphoning funds from these entities to finance the Housing Trust Fund would be irresponsible and harmful to homeowners, taxpayers, the GSEs, and America's financial markets." I look forward to your thoughts on this issue and others.

Thank you, Mr. Chairman.