

**Statement of Chairwoman Sue Kelly**  
**Subcommittee on Oversight and Investigations**  
**“Due Diligence in Mortgage Repurchases and Fannie Mae: The First Beneficial Case”**  
**March 10, 2005**

This hearing of the Oversight and Investigations Subcommittee will come to order.

The subcommittee is meeting today to hear testimony about the transfer of non-performing financial instruments between First Beneficial and Ginnie Mae, with the knowledge of Fannie Mae.

This transaction between a GSE, a wholly owned government corporation, and a private lender exposed taxpayers, investors, and homeowners to harm and threatened the transparency and integrity of the financial networks that support homeownership in the United States.

On December 22, 2004, I joined Chairmen Ney and Baker in sending a letter to Fannie Mae requesting an accounting of its behavior in this case. The Office of Federal Housing Enterprise Oversight (OFHEO) is now proposing new rules to require Fannie Mae to report its awareness of fraud and corruption.

It should not take federal regulation to get Fannie Mae, or any other well-run public company, to exercise its responsibility as a corporate citizen to report possible wrongdoing and protect taxpayers.

I am hopeful that this hearing will lead to better institutional controls within Fannie Mae, industry, and the government to prevent fraud and secure the safety of the homeownership system in the United States.