

OPENING **STATEMENT**

**Voluntary Enhancement,
Capital Strength,
Disclosure and Market
Discipline**

Rep. Stephanie Tubbs Jones

Good Morning, Chairman Baker, Ranking Member Kanjorski and Members of this Committee. Mr. Chairman, I ask unanimous consent that my full statement be included in the Record.

Mr. Chairman, we are here this morning to review the voluntary agreements that were established to improve capitalization, information disclosure, and market discipline. Many of us on this committee remember and sat through six GSE hearings in which we examined in great detail Fannie Mae and Freddie Mac.

From those hearings, we examined their safety and soundness to an exhaustive length. And I must note that, at no time, did we find there to be any safety and soundness issues.

Fannie Mae and Freddie Mac pledged themselves to six Voluntary Commitments. Those commitments included periodic issuance of subordinated debt. Liquidity Management and Contingency Planning. Interim Implementation of Risk-based Capital Stress test. New interest-rate risk disclosures. New credit risk disclosures and public disclosure of annual rating. For every one of these commitments, Fannie and Freddie have either completed or will complete. These commitments put them at the forefront of financial services organizations, not just in the United States, but in the world, with respect to financial disclosures.

I am proud to hear of this progress made by both Fannie and Freddie in stepping up to the challenge and thereby demonstrating that they are both solid and sound institutions. Their success is America's success.

Mr. Chairman, I hope our review this afternoon will allow Fannie Mae and Freddie Mac to continue to fulfill their housing mission and do what they do best. Their mission is an important mission. I am not as concerned about a market share war, but I am concerned about affordable housing in the 11th Congressional District, homeownership for those still seeking a piece of the American dream, and also special housing needs of the elderly.

Housing, Mr. Chairman, is still a key public policy concern. Despite the pundits who claim that we do not need to improve our homeownership rates, I believe just the opposite. There are citizens, all across this nation, including the 11th Congressional District, who are struggling with skyrocketing rents as well as inadequate housing stock. GSEs were established to address these problems. All I say is, "Let them do the job." Again, "if it ain't broke, why fix it." Let Fannie and Freddie continue to ***“lead the mortgage finance industry in making credit available for low- and moderate-income families.”***

I am glad today that we have representatives from the GSEs to make their own case. I want to extend a welcome to Chairman Leland Brendsel, Freddie Mac and Timothy Howard, Executive Vice President and Chief Financial Officer, Fannie Mae.

I realize Mr. Chairman that putting a family into a home is much more than originating a mortgage, automated underwriting systems or implicit/explicit relationships. Putting a family into a home provides a family with, in many instances, its first real asset or even provides a legacy for future generations. Homeownership, I believe, is one of the key first steps to true empowerment. Thus, we cannot continue our "GSE review", that could, in effect hurt citizens looking for affordable housing and to purchase a home.

With the provisions granted GSEs, I believe in the importance of safety and soundness, disclosure and market discipline. I believe that the GSEs have met this challenge. Afterawhile, Mr. Chairman, our reviews of these GSEs become counterproductive. I am sure, in light of predatory lending abuses, insurance abuse and financial scams impacting pension plans and individual citizens, there are some other areas for our subcommittee to review and investigate.

Do not misunderstand me. I have greatly appreciated the process of reviewing institutions that play very critical roles in financial services and mortgage industries. But, I do not know of any other entity that have received this much attention and have shown they are operating within charter and mission and are sound operationally.

I do know, Mr. Chairman, that there are many large companies who make the claim that the GSEs do not play fair. I understand that. However, if the GSEs are within charter, let them do what they were challenged to do back in 1992. Let us not legislate where legislation is not needed.

Mr. Chairman, I do not support efforts to increase the regulatory burden placed on GSEs, burdens that will ultimately be passed on to consumers. If the information suggests GSEs have not done what they are required to do, let's fix it and move on. If the GSEs, however, are on track and are accomplishing their mission, again, let us move on.

I do question the merits of some of these large companies. Where were they when people could not get a mortgage, get affordable housing and develop special housing stock. Where were they? No where to be found.

I hope that our review this afternoon serves to clear the record about GSE safety and soundness. I realize that there is much more to be done by GSEs. While homeownership rate sit at or around 67%, there is still room for improvement for those left out of this nation's prosperity. Let them improve.

Thank you, Mr. Chairman, for the opportunity to present my remarks. I look forward to this hearing.