

**Opening Statement**  
**House Financial Services Committee**  
**Chairman Michael G. Oxley**  
**March 27, 2001**  
**Hearing in the Capital Markets, Insurance and**  
**Government Sponsored Enterprises Subcommittee**  
**Voluntary Agreement of Freddie Mac and Fannie Mae**

Many Members of our Committee are taking on some important issues for the first time. Government Sponsored Enterprises, better known as GSEs, is one of those issues. I am pleased that we are having this hearing today, so that Members have an opportunity to learn about the vital role the GSEs play in our housing finance system and overall economy.

Expanded homeownership is a top priority for us. Congress created Fannie Mae and Freddie Mac to broaden consumer access to mortgage credit. Fannie and Freddie developed a secondary market for conventional mortgages and then a wider market for mortgage securities. Fannie and Freddie have greatly advanced their housing mission and are a real success story.

In order to continue benefiting America's families, Fannie Mae and Freddie Mac must operate according to the highest standards. They are two of the leading financial institutions in this country and they occupy a central role in the mortgage and capital markets. Fannie and Freddie are well-managed, highly sophisticated businesses. However, in light of their size and growth, a number of concerns have been raised. These include the adequacy of their supervision, the nature of their mission, and the risk they could pose to the financial system in the event of a downturn.

The voluntary agreement reached last October addresses many of those concerns. I congratulate Chairman Baker, Ranking Member Kanjorski, and the leadership of Fannie Mae and Freddie Mac on this meaningful and timely agreement. The commitments to meet higher capital, risk management, and disclosure standards are impressive and commendable. I look forward to hearing from the witnesses about the specifics of those commitments, the progress they have made in implementing them, and their future plans.

In addition, we should take a look at the existing framework for regulating Fannie Mae and Freddie Mac. We should consider whether the current division of regulation between OFHEO and HUD ought to be streamlined and whether the regulators have the powers they need to be effective. More effective regulation, along with improved market discipline resulting from the voluntary agreement, could give Congress and the markets even greater confidence in Fannie and Freddie.

I look forward to the Committee's responsible oversight of the GSEs.