

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON ADDITIONAL ACCOUNTING AND
MANAGEMENT FAILURES AT FANNIE MAE
WEDNESDAY, APRIL 6, 2005**

Mr. Chairman, we meet today to review the most recent developments concerning the special examination of Fannie Mae by the Office of Federal Housing Enterprise Oversight. As I have regularly noted at our past hearings on these matters, it is important and appropriate for our panel to conduct comprehensive and regular oversight over our housing government-sponsored enterprises to ensure that they fulfill their missions and operate safely and soundly.

At our first hearing this year, we heard from the Chief Accountant of the Securities and Exchange Commission about his decisions related to Fannie Mae's accounting practices. Today, we will follow up on that hearing by receiving testimony from a frequent witness before our panel: Armando Falcon, the Director of the Office of Federal Housing Enterprise Oversight.

As always, I appreciate learning of his insights on these issues and again welcome him here. I should also note that because he will be leaving the agency next month, this appearance will likely be the last time that Director Falcon testifies before our panel in his current capacity. During his tenure, he has steadfastly worked to increase the agency's resources and its effectiveness.

The main focus of today's hearing is the March supplemental supervisory agreement between Fannie Mae's board and the Office of Federal Housing Enterprise Oversight. This agreement addresses additional deficiencies identified by the regulator during its ongoing special examination. These failings relate to insufficient internal controls, the improper application of accounting standards, and inadequate corporate governance.

Like many of my colleagues, I am troubled by these latest revelations. As a government-sponsored enterprise with public responsibilities and private capital, Fannie Mae has a special obligation to operate fairly, safely and soundly. These newest disclosures indicate that the company fell short in meeting these responsibilities.

Nevertheless, I am also heartened that Fannie Mae, according to its regulator, is cooperating and working to address these issues in a responsible manner. I am also pleased that although serious, these problems do not appear to pose a systemic risk according to those most knowledgeable of the facts in these matters.

As we proceed today, I also suspect that some of my colleagues will return to the question of how best to modify the regulation of government-sponsored enterprises, including you, Mr. Chairman. It is in the public's interest that we ensure that Fannie Mae and Freddie Mac continue to operate safely and soundly. We must further ensure that these public-private entities achieve their public responsibilities for advancing homeownership opportunities.

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As I said at our very first hearing on the oversight of government-sponsored enterprises in March 2000, “we need to have strong, independent regulators that have the resources they need to get the job done.” I can assure everyone that I continue to support strong, world-class and independent regulation for Fannie Mae and Freddie Mac.

A strong, world-class and independent regulator will protect the continued viability of our capital markets and promote confidence in Fannie Mae and Freddie Mac. It will also insure taxpayers against systemic risk and expand housing opportunities for all Americans.

In closing, Mr. Chairman, I commend you for your continued perseverance in these matters, and I look forward to hearing from our distinguished witness.
