

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON GOVERNMENT SPONSORED ENTERPRISE OVERSIGHT:  
THE NEED FOR REFORM AND MODERNIZATION  
WEDNESDAY, JUNE 25, 2003**

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Mr. Chairman, our nation's system for housing finance is not only extremely successful, but it is also the envy of the world. Almost 68 percent of Americans own the homes in which they live. Government-sponsored enterprises have contributed greatly to this accomplishment.

This success, however, should not stop us from asking whether and how we can do a better job with respect to regulating Fannie Mae and Freddie Mac. We should always examine ways by which we can improve regulatory efficiency and lower mortgage rates. The recent events at Freddie Mac related to its earnings restatement and its management changes have highlighted the need for the continued examination of these matters.

As you know, Mr. Chairman, I am also one of the few remaining Members of this Committee who participated in the entire congressional battle to resolve the savings and loan crisis. I am therefore acutely aware of the need to protect taxpayers from risk. 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.

We can best achieve these dual objectives by pursuing a three-pronged supervisory approach that includes regular congressional oversight of, sustained effective government regulation over, and increased market discipline for the two GSEs. Through our extensive studies and hearings over the last forty months, we are fulfilling our obligation in the Congress to conduct regular oversight of the GSEs.

Although we have not reached consensus on legislative reform during the last dozen hearings on GSE regulation, I do believe that we have reached agreement on at least several key points. First, we have agreed that we have the world's most successful housing finance system and gained an appreciation for the important role that the GSEs play in that system. Second, we have agreed that Fannie Mae and Freddie Mac have grown significantly in recent years. Finally, we have agreed that we must have strong regulators for the housing GSEs.

As I said at our very first hearing on GSE regulation in March 2000, "we need to have strong, independent regulators that have the resources they need to get the job done." I continue to support strong GSE regulation. A strong regulator, in my view, will protect the continued viability of our capital markets, insure against systemic risk, and expand housing opportunities for all Americans.

To ensure that we have strong GSE regulation, I believe that any legislative reforms considered by the Congress in the future should adhere to at least five key principles:

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- First, in order to conduct robust supervision, a strong regulator must have a funding stream separate and apart from the annual appropriations process.
- Second, a strong regulator must have a single leader for a set term with sole responsibility for making decisions.
- Third, a strong regulator must be independent and free from political interference.
- Fourth, a strong regulator must focus like a laser exclusively on GSE issues. The GSEs warrant a specialized regulator focused on one goal and without multiple responsibilities.
- Fifth, a strong regulator must have enhanced supervisory and enforcement powers similar to those of other federal regulators for financial institutions.

The primary goal of today's hearing is to advance our examination of what structural changes might be necessary at the Office of Federal Housing Enterprise Oversight or the Department of Housing and Urban Development to ensure comprehensive and complete oversight of Fannie Mae and Freddie Mac. Today we will hear primarily from one side of the debate: those who have often been critical of the GSEs and their regulators. In fact, many of our witnesses have already called on the Congress to reform GSE regulation, alter their statutory structure, or disband these entities altogether.

As we proceed in the future, it is my hope that we will develop a balanced, deliberate and bipartisan plan of action for addressing GSE matters. In other words, we should move judiciously and objectively in conducting our oversight responsibilities. We also should understand the facts behind the recent events at Freddie Mac before developing any legislation.

Moreover, we should not once again upset the securities markets. On at least one occasion, our Committee's actions have unfortunately discouraged investors and raised homeownership costs. As we proceed today, we must renew our efforts to ensure that we do not repeat that mistake.

In closing, Mr. Chairman, I commend you for your continued leadership on these issues. I will also continue to work with you to conduct effective oversight over the housing GSEs and to ensure that we maintain an appropriate and sufficiently strong supervisory system for them.

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