

OPENING STATEMENT

H.R. 1409, Secondary Mortgage Market Enterprises Regulatory Improvement Act 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 another bill, H.R. 1409, that seeks to strengthen federal regulation and supervision of Fannie Mae and Freddie Mac. Many of us have been here before.

We started with safety and soundness, then to transparency, mission creep, validation of subsidies to strengthening federal regulation. I want to note, at the onset, that I feel that it is imprudent to offer new regulatory regimes when we have not allowed the existing schemes and processes to work. On what basis do we abandon ship on HUD and OFHEO to set sail in new, untested waters with the Federal Reserve Board.

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.

My concerns relative to this legislation are many. Primarily, I fail to see the need to transfer housing policy to the Federal Reserve Board. I believe the Fed has enough responsibilities in simply handling monetary policy and working with banks relative to improving CRA.

Moreover, this bill grants HUD authority over GSE housing goals, while yet basically transferring all housing powers to the Federal Reserve. It provides "bank" regulator extensive powers over housing in approving new GSE business activities. These new powers do not mesh with me. What historical knowledge does the Fed possess that will make it more effective in addressing housing issues of low-to moderate income persons and minorities. In essence, the Fed is an inappropriate regulator.

Many of us, on this committee, remember and sat through eight previous GSE hearings in which we examined, with great detail, Fannie Mae and Freddie Mac. From those hearings, we examined safety and soundness to an exhaustive length.

Afterwards, Fannie Mae and Freddie Mac pledged themselves to six Voluntary Commitments. 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.

Mr. Chairman, I fear that H.R. 1409 does little to help or improve upon the GSEs ability to fulfill their housing mission. Their mission is an important mission. I am not as concerned about market share wars, but I am concerned about affordable housing in the 11th Congressional District, special housing needs of the elderly, and homeownership for those still seeking the American dream. Housing, Mr. Chairman, is still a key public policy concern. Despite the pundits who claim that we do not need to improve homeownership rates, I believe the opposite. GSEs were established to address these problems. Let's let the process work.

I realize Mr. Chairman that putting a family into a home is much more mortgage origination, 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.

Mr. Chairman, I believe in the importance of safety and soundness, disclosure and market discipline. I believe the GSEs have met this challenge. Eventually, Mr. Chairman, our GSE review becomes counterproductive. I am sure, in light of predatory lending abuses, insurance abuse and financial scams impacting citizens and pension plans, there are other critical areas ripe for our subcommittee's review.

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

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.

I am glad today that we have representatives from the GSEs to make their own case. I want to extend a welcome to Timothy Howard, Executive Vice President and Chief Financial Officer, Fannie Mae and Mitchell Delk, Senior Vice President, Government Relations, Freddie Mac. I look forward to their testimony as well as testimony from individuals on the second panel.

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