

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
OVERSIGHT HEARING ON THE OFFICE OF FEDERAL HOUSING
ENTERPRISE OVERSIGHT AND THE FEDERAL HOUSING FINANCE BOARD
TUESDAY, JULY 13, 2004**

Mr. Chairman, we meet today to examine the recent actions and pending proposals at the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board. These two regulatory bodies help to ensure that Fannie Mae, Freddie Mac, and the Federal Home Loan Banks continue to fulfill their public mission of advancing homeownership.

Our nation's system for housing finance is not only extremely successful, but it is also the envy of the world. More than 68 percent of Americans presently 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 the housing government-sponsored enterprises and conducting congressional oversight regarding these matters. We should always examine ways by which we can improve regulatory efficiency and lower mortgage rates.

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 the housing government-sponsored enterprises continue to operate safely and soundly. We must further ensure that these public-private entities achieve their public responsibilities for advancing homeownership opportunities.

As we proceed today, I hope that our distinguished witnesses will share their views on corporate governance. I know that the Federal Housing Finance Board has carefully studied these issues in recent years and has worked to improve the performance and accountability of Federal Home Loan Bank executives and board directors.

Nevertheless, I have heard concerns about the need to improve the expertise on the boards, such as requiring at least one director to have experience with derivatives. I have also previously proposed extending the terms of directors from three years to four years to increase institutional memory at the Federal Home Loan Banks. I am additionally aware that one Federal Home Loan Bank may soon have no representative on its board with more than three years of experience, assuming that none of its current directors is reappointed later this year.

In recent months, the Office of Federal Housing Enterprise Oversight has also released its proposed minimum standards for corporate governance. These standards have sparked considerable debate, particularly regarding the decisions to separate the CEO and chairman functions and to mandate the rotation of external auditors.

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In addition, I am very concerned about the failure of the Bush Administration to appoint directors to serve on Fannie Mae and Freddie Mac's boards. As a result of this decision, each board has five fewer individuals to serve than they usually had.

The failure to appoint presidential representatives on these boards has increased the burden that each of the remaining directors must carry. Moreover, it is important to note that three of the five presidential appointees on each of these boards had to represent particular concerns or have specific backgrounds -- such as experience in the housing industry. Unfortunately and counter to congressional intent, neither Fannie Mae nor Freddie Mac is now benefiting from receiving these diverse viewpoints.

In closing, Mr. Chairman, 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. I therefore look forward today to hearing from the leaders of the two regulatory entities overseeing the safety and soundness of the housing government-sponsored enterprises and yield back the remainder of my time.
