

September 10, 2003

Opening Statement by Congressman Paul E. Gillmor  
House Financial Services Committee  
Full Committee Hearing on Regulatory Oversight of the Government Sponsored  
Enterprises

Thank you, Mr. Chairman, for holding this important hearing. I appreciate Secretaries Snow and Martinez making themselves available to us this morning to address the current system of regulatory oversight of our Government Sponsored Enterprises (GSE).

Late last year, in the wake of the Enron scandal and subsequent revelations of widespread problems in the accounting industry, the Federal Home Loan Mortgage Company (Freddie Mac) announced that it would have to restate its earnings after it fired its former auditor, Arthur Anderson.

This reevaluation kept Freddie Mac from upholding their voluntary agreement to file with the Securities and Exchange Commission (SEC) as the Federal National Mortgage Association (Fannie Mae) did in April of 2003. Two months later the Office of Federal Housing Enterprise Oversight (OFHEO) released its annual report to Congress addressing the upcoming earnings restatement by Freddie Mac, while expressing satisfaction with the independence of their internal and external audits and confidence in the actions of Freddie Mac's Board of Directors.

It concerns me greatly that the responsible federal regulator, OFHEO, was clearly unaware of these problems inside the management of Freddie Mac and was previously unaware of their need for an earnings restatement. OFHEO simply was not doing its job.

I am pleased to be an original cosponsor of Chairman Baker's legislation moving Fannie Mae and Freddie Mac under the supervision of the Office of Thrift Supervision (OTS). Today, I look forward to hearing from our distinguished witnesses on this proposal and the current nature of these large GSEs and the privileges appropriate given their standing in the secondary market.

Thank you again, Mr. Chairman, for calling this important hearing and I look forward to an informative session.