

OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING ON REGULATORY OVERSIGHT OF
GOVERNMENT SPONSORED ENTERPRISES
WEDNESDAY, SEPTEMBER 10, 2003

Mr. Chairman, before we hear from the Administration on the need to alter the current regulatory system for government-sponsored enterprises or GSEs, I feel it very important to outline my views on these matters for our two distinguished witnesses who are appearing before us for the first time to comment on these issues.

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, promote confidence in Fannie Mae and Freddie Mac, insure taxpayers against systemic risk, and expand housing opportunities for all Americans.

To ensure that we have strong GSE regulation, I further believe that any future legislative reform efforts should adhere to several principles. First, a strong regulator must have a single leader for a set term with sole responsibility for making decisions. In order to conduct robust supervision, a strong regulator must also have a funding stream separate and apart from the annual appropriations process and without improper administrative interference.

Moreover, a strong regulator must have robust supervisory and enforcement powers. Accordingly, some have suggested that we should model GSE regulatory authority after those of other financial regulators. While these proposals have merit, we must determine the applicability and appropriateness of applying these banking standards to GSEs before proceeding.

In order to maintain credibility, a strong regulator must additionally have genuine independence. Unless I am convinced otherwise, such independence must consist of complete autonomy from the enterprises. It must also include sufficient protection from outside special interest groups. It must further have substantial freedom from political interference.

This last point is especially important. As a result of my experiences during the savings and loan bailout, I will approach any proposal to assert general oversight or supervisory controls by the Administration or the Congress over any current or future GSE regulator with great skepticism. We must not allow politics to again cause systemic implications for our economy.

Because our housing marketplace is one of the most important sectors in our struggling economy, we must also tread carefully in our forthcoming congressional examinations. In short, we have a delicate balancing act ahead of us as we work to develop any legislation to modify the regulation of GSEs. We must focus our work on regulatory proposals and not make fundamental changes to the ways in which the GSEs operate, to their charters, or to their mission. It is also my hope that we will develop a balanced, bipartisan plan of action for addressing these issues.

In closing, Mr. Chairman, I commend you for your leadership in these matters. I also look forward to working with you in a judicious and objective manner in order to ensure that we do not upset our securities markets or raise homeownership costs in the weeks ahead.
