

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Housing Government Sponsored Enterprises Regulation

September 10, 2003

I want to welcome Secretary Snow and Secretary Martinez to the Financial Services Committee this morning to discuss the regulation of the housing government sponsored enterprises or GSEs, thank you for joining us today. It is my understanding that the Treasury Department and the Department of Housing and Urban Development have been working closely together with the President to develop a proposal to reform GSE regulation. I am looking forward to hearing your insights and recommendations.

The U.S. housing market has been the engine of growth for the domestic economy over the past several quarters. Despite a slowdown in nearly every economic sector, the housing market has remained vibrant. Now that an economic recovery seems to be on the horizon, it is important that we act in a reasonable manner to improve the regulation of the GSEs, while at the same time ensuring that we not have an adverse impact on the housing or the equity markets. Ultimately, it is the U.S. taxpayers and homeowners that we must keep in mind as we seek to improve the current state of regulation. I hope to work in a bipartisan manner to ensure that any action this Committee undertakes has broad support as well as input from the Administration.

The housing GSEs were established to provide liquidity to the housing market and to facilitate access to affordable homes. These entities have been extremely successful in this role and have enabled millions of Americans to achieve homeownership. Their operations have been the model for housing finance around the world. However, the GSEs have developed over the years into much more sophisticated entities than originally envisioned. They have become highly complex financial institutions with obligations in the trillions of dollars. As such, it is important that the GSEs have a robust and sophisticated regulator to ensure that they continue to operate in a safe and sound manner.

A strong regulator will send the signal to the markets that these entities have solid management practices. Confidence will be restored in the GSEs and they will be able to get back to their important work without the distractions that have been plaguing them over the past several months. That is not to say that this Committee will not continue to actively oversee their operations. If there is a

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change in the regulatory structure of the GSEs, we will have to closely monitor the development and actions of the regulator.

In my opinion, the current regulator does not have the tools, or the mandate, to adequately regulate these enterprises. We have seen in recent months that mismanagement and questionable accounting practices went largely unnoticed by the Office of Federal Housing Enterprise Oversight. These problems only came to light when the company announced them on its own accord. It is encouraging to know that the boards of these companies are active and engaged, seeking to operate in the best interest of their shareholders; however, these irregularities, which had been going on for several years, should have been detected earlier by the regulator.

I would like to thank Subcommittee Chairman Baker for all his hard work in reviewing the GSEs and highlighting for the Committee the need for increased regulatory oversight of these entities. He has demonstrated true leadership on this important subject matter, and as we move forward, I expect to draw on his expertise in this area.

Secretary Snow, Secretary Martinez, I look forward to your testimony.

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