

AMENDMENT TO THE COMMITTEE PRINT
FINANCIAL SERVICES COMMITTEE BUDGET VIEWS AND ESTIMATES, FY 2011
OFFERED BY MR. GARRETT OF NEW JERSEY

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Housing Finance and Government Sponsored Enterprises section, page 4, after the paragraph beginning with "*The Committee will continue to monitor closely the record delinquencies and*" insert new paragraphs as follows:

"The Administration's accounting of Fannie Mae and Freddie Mac differs from the way the non-partisan Congressional Budget Office (CBO) scores their actual budgetary impact. Because the operations of the GSEs are now effectively controlled by the federal government, CBO treats the mortgages owned or guaranteed by Fannie Mae and Freddie Mac as loans and loan guarantees of the federal government in their baseline budget estimate. For fiscal year 2009, CBO recorded a subsidy equal to the shortfall between the current value of the GSE's assets and liabilities. Since being placed in federal conservatorship, CBO estimates the 10 year cost of operating the GSEs is \$389 billion.

Additionally, because the Committee believes that taxpayers should receive a fully transparent and honest accounting of all government spending and liabilities, the Committee strongly recommends that the Administration move the operations of Fannie Mae and Freddie Mac on budget, and to account for the losses they have sustained since they were placed in conservatorship in the same way as CBO calculates their losses. If the Administration continues to keep the operations of the GSEs off budget, the Committee believes it is appropriate to consider legislation to formally move their operations on budget.

Furthermore, now that the federal government has explicitly backed the operations of the GSEs with an open-ended commitment for the next three years, the Committee believes there should no longer be a distinction between the debt issued by Fannie and Freddie to fund their operations, and the debt issued by the Department of the Treasury to fund the federal government's operations. As such, the Committee recommends their current \$1.6 trillion in outstanding debt should be reflected in the statutory public debt ceiling. To allow time for the implementation of this new law, an effective date of 90 days after enactment should be set."