

HENSARLING 304

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AMENDMENT TO H.R. 1728

OFFERED BY MR. HENSARLING OF TEXAS

After the end of the bill, insert the following new title:

1 **TITLE VII—SENSE OF CONGRESS REGARDING**
2 **THE IMPORTANCE OF GOVERNMENT**
3 **SPONSORED ENTERPRISES REFORM**

4

5 **SEC. 701. SENSE OF CONGRESS REGARDING THE**
6 **IMPORTANCE OF GOVERNMENT SPONSORED**
7 **ENTERPRISES REFORM TO ENHANCE THE**
8 **PROTECTION, LIMITATION, AND REGULATION OF THE**
9 **TERMS OF RESIDENTIAL MORTGAGE CREDIT.**

10

11 (a) FINDINGS.—The Congress finds as follows:

12 (1) The government sponsored enterprises, Federal National
13 Mortgage Association (Fannie Mae) and the Federal Home Loan
14 Mortgage Corporation (Freddie Mac), were chartered by Congress
15 to ensure a reliable and affordable supply of mortgage funding, but
16 enjoy a dual legal status as privately owned corporations with
17 government mandated affordable housing goals.

18 (2) In 1996, the Department of Housing and Urban
19 Development required that 42 percent of Fannie Mae's and Freddie
20 Mac's mortgage financing should go to borrowers with income
21 levels below the median for a given area.

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1 (3) In 2004, the Department of Housing and Urban
2 Development revised those goals, increasing them to 56 percent of
3 their overall mortgage purchases by 2008, and additionally
4 mandated that 12 percent of all mortgage purchases by Fannie Mae
5 and Freddie Mac be “special affordable” loans made to borrowers
6 with incomes less than 60 percent of an area’s median income, a
7 target that ultimately increased to 28 percent for 2008.

8 (4) To help fulfill those mandated affordable housing goals,
9 in 1995 the Department of Housing and Urban Development
10 authorized Fannie Mae and Freddie Mac to purchase subprime
11 securities that included loans made to low-income borrowers.

12 (5) After this authorization to purchase subprime securities,
13 subprime and near-prime loans increased from 9 percent of
14 securitized mortgages in 2001 to 40 percent in 2006, while the
15 market share of conventional mortgages dropped from 78.8 percent
16 in 2003 to 50.1 percent by 2007 with a corresponding increase in
17 subprime and Alt-A loans from 10.1 percent to 32.7 percent over
18 the same period.

19 (6) In 2004 alone, Fannie Mae and Freddie Mac purchased
20 \$175 billion in subprime mortgage securities, which accounted for
21 44 percent of the market that year, and from 2005 through 2007, the
22 Fannie Mae and Freddie Mac purchased approximately \$1 trillion in
23 subprime and Alt-A loans, while Fannie Mae’s acquisitions of
24 mortgages with less than 10 percent down payments almost tripled.

25 (7) According to data from the Federal Housing Finance
26 Agency (FHFA) for the fourth quarter of 2008, Fannie Mae and
27 Freddie Mac own or guarantee 75 percent of all newly originated
28 mortgages, and Fannie Mae and Freddie Mac currently own 13.3

1 percent of outstanding mortgage debt in the United States and have
2 issued mortgage backed securities for 31.0 percent of the residential
3 debt market, a combined total of 44.3 percent of outstanding
4 mortgage debt in the United States.

5 (8) On September 7, 2008, the FHFA placed Fannie Mae and
6 Freddie Mac into conservatorship, with the Treasury Department
7 subsequently agreeing to purchase at least \$200 billion of preferred
8 stock from each enterprise in exchange for warrants for the purchase
9 of 79.9 percent of each enterprises' common stock.

10 (9) The conservatorship for Fannie Mae and Freddie Mac has
11 potentially exposed taxpayers to upwards of \$5.3 trillion worth of
12 risk.

13 (10) The hybrid public-private status of Fannie Mae and
14 Freddie Mac is untenable and must be resolved to assure that
15 consumers are offered and receive residential mortgage loans on
16 terms that reasonably reflect their ability to repay the loans and that
17 are understandable and not unfair, deceptive or abusive.

18 (b) SENSE OF THE CONGRESS.—It is the sense of the Congress
19 that—

20 (1) By encouraging increased subprime lending, Fannie Mae
21 and Freddie Mac played an important role in creating the conditions
22 that led to our current mortgage credit crisis. (uc)

23 (2) Efforts to enhance by the protection, limitation, and
24 regulation of the terms of residential mortgage credit and the
25 practices related to such credit would be incomplete without
26 enactment of meaningful structural reforms of Fannie Mae and
27 Freddie Mac.

