

Committee on Financial Services
March 15, 2007

Hearing entitled "Legislative Proposals on GSE Reform"

Statement of Congresswoman Deborah Pryce

Thank you Mr. Chairman. Let me first say that I hope this is the last hearing we hold on this legislation in this Congress or any Congress, and we can quickly move to a markup.

For seven years, Congressman Baker, former Chairman Oxley and others have spent countless hours drafting and debating the correct legislative action needed to reform the oversight of the GSEs.

The testimony today and the comments by many of my colleagues are evidence that there has been a sea change both here in Congress and at Fannie Mae and Freddie Mac.

There is now broad consensus that we are long over due in creating a world-class regulator to oversee Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. In recent memory, we have witnessed accounting irregularities leading to earnings restatements, and an ill-equipped regulator unable to properly supervise the safety and soundness of these entities.

With the bipartisan legislation introduced by Chairman Frank, and negotiated with the Department of Treasury, we can finally address these concerns.

The legislation will create a new, independent regulator with broad capital powers comparable to current banking regulators. The bill also establishes clear product approval standards, and a mandatory receivership in the case of a critically undercapitalized GSE.

We need only look to the numbers to know who action is so important.

As Director Lockhart has pointed out before, the GSEs have become some of the largest private debt issuers in the world. All together, Fannie, Freddie, and the Federal Home Loan Banks hold over \$5.4 trillion in outstanding debt and Mortgage-Backed Securities, larger than the \$4.9 trillion publicly held debt of the U.S.

Clearly proper regulation of the GSEs is needed to maintain a healthy housing finance system, and the possible systemic risk posed by inaction is too great to sit on our hands.

I would also like to applaud the commitment H.R. 1427 puts on rebuilding the affordable housing stock devastated by the recent hurricanes on the Gulf Coast. The Office of Federal Housing Enterprise Oversight has estimated that less than 30 percent of the

retained portfolios of Fannie and Freddie actually contribute to the GSEs' stated mission of affordable housing. The bill highlights the need for the GSEs to pay a deeper commitment to these goals.

At the same time, I share the concerns of some of my colleagues that funds distributed through the states under the proposed Affordable Housing Fund could still be used to offset political activities by organizations, which do not have affordable housing as their primary purpose.

This reservation aside, I look forward to the testimony today, and comments on whether the legislation under consideration ensures that the GSEs will better meet their dual public purpose of promoting affordable housing, and maintaining stability of the nation's housing finance system

I yield back the balance of my time.