

**OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING TO REVIEW THE RUDMAN REPORT ON FANNIE MAE
TUESDAY, MARCH 14, 2006**

Mr. Chairman, we meet this afternoon to review the recently released report prepared by former Senator Warren Rudman at the request the Special Review Committee established by the Fannie Mae's Board of Directors. This report examines the company's problems related to accounting standards, internal auditing controls, and corporate governance, among other matters.

As I have regularly noted at our past hearings in this area, it is important for our panel to conduct comprehensive and regular oversight over our housing government-sponsored enterprises to ensure that they fulfill their missions and operate safely and soundly. Today's hearing is therefore not only timely, but also appropriate.

In compiling this report, Senator Rudman and his team of investigators left no stone unturned. As I understand, these experts reviewed more than four million pages of documents over a period of 17 months. They also conducted in excess of 240 interviews.

As we begin today, I want thank Senator Rudman and his team. I greatly appreciate their diligence in these important matters. Their comprehensive report has helped me to understand what went wrong at Fannie Mae.

In one of its more significant conclusions, this report identified no new major accounting violations not already disclosed by Fannie Mae and the Office of Federal Housing Enterprise Oversight. In addition, while the report details many of the major corrective actions that Fannie Mae has taken to address these matters, it makes no significant recommendations about further actions needed to address the firm's past shortcomings.

Importantly, the report also observes that Fannie Mae has "undergone an extensive transformation both in personnel and structure" during the last year and a half. It further finds that no member of the current management team knowingly participated in improper conduct.

While this report provides some assurance to the Congress, the American public, and investors that Fannie Mae is turning the corner by directly and forthrightly addressing its accounting, auditing, and governance problems, we still must complete legislative action to improve the oversight of all government-sponsored enterprises. It is in the public's interest that we address these regulatory issues promptly and properly.

As I said in March 2000 at our very first meeting in this long series of hearings on the oversight of government-sponsored enterprises, "we need to have strong, independent regulators that have the resources they need to get the job done." I can assure everyone that I continue to support strong, world-class and independent regulation for Fannie Mae and Freddie Mac. Such regulation will protect the continued viability of our capital markets and promote confidence in Fannie Mae and Freddie Mac.

By in large, the bill that passed the House last fall by a vote of 330 to 91 would accomplish these objectives. Before the 109th Congress completes its work, I hope that our

colleagues in the Senate will consider their bill and that we can finally reach resolution on these matters.

Before yielding back the remainder of my time, I would be remiss if I did not note that while Fannie Mae has cleared one hurdle with the release of the Rudman report in its ongoing efforts to restore accountability within the firm, other investigations by the Office of Federal Housing Enterprise Oversight, the Securities and Exchange Commission, the Public Company Accounting Oversight Board, and the Justice Department remain ongoing.

The determinations of these experts will likely play an important role in influencing how we will ultimately proceed on any legislation during the remainder of the 109th Congress. If and when these entities complete their examinations, I also suspect that we will meet again to study their conclusions. In other words -- and to paraphrase the work of Robert Frost -- we have promises to keep and may have miles to go before we sleep.

In closing, Mr. Chairman, I commend you for your continued perseverance in these matters, and I look forward to hearing from our distinguished witness.
