

Bachus Questions Creation of Housing Fund in GSE Legislation

January 29, 2007

Expresses concern the proposal amounts to "a tax on lower and middle class homeowners";

In correspondence to House Financial Services Chairman Barney Frank (D-Massachusetts), Ranking Member Spencer Bachus stated his opposition to a proposal to use the after-tax income of Government Sponsored Enterprises (GSEs) to create an "affordable housing fund";

"It is well-known to me that you hold a long-standing and sincere belief in the importance of such a fund," Congressman Bachus stated in his letter. "While I respect your view, I do not share it." Congressman Bachus expressed his concern that the proposal could be considered "a tax on lower and middle income homeowners to finance a government housing program, the need for which is debatable";

However, Congressman Bachus described as "commendable" Chairman Frank's proposal to strengthen regulatory oversight over GSEs. Bachus predicted that taking the proposed housing fund off the table "would result in legislation that an overwhelming majority of Republicans and I could enthusiastically support";

In his letter, Congressman Bachus expressed that he remains committed to working with Chairman Frank to find strategies that will encourage greater affordable housing opportunities for American families. "Our differing approaches on this issue should not detract from our mutual commitment to respect our differences," Mr. Bachus stated, "while working in a bipartisan manner where we can reach consensus";

Text of Ranking Member Bachus's letter follows.

January 24, 2007

The Honorable Barney Frank

Chairman

Committee on Financial Services

2129 Rayburn House Office Building

Washington, DC 20515

Dear Mr. Chairman:

This letter is to express my preliminary views on legislation to reform the housing Government Sponsored Enterprises (GSEs) that you indicated in our meeting last week will be an early priority of the Financial Services Committee in the 110th Congress.

First, let me express my appreciation for your willingness to consult with me on this important legislative project prior to the commencement of hearings and Committee consideration. Hopefully this will set the tone for what I am confident will be a constructive and open dialogue between the two of us on matters that come before the Committee.

We both share a commitment to achieving bipartisan legislation providing for robust regulatory oversight of the GSEs. Operating the GSEs in a safe and sound manner is essential to the stability of the housing finance system and our financial markets generally. Ensuring that Fannie Mae and Freddie Mac are appropriately capitalized and subject to the same level of regulatory scrutiny as other large, complex financial institutions is a goal I will continue to support. Indeed, the legislation you have fashioned is commendable in that regard, representing an improvement over last year's version.

However, when the Committee debated GSE legislation last Congress, you will recall that I joined a substantial number of my Republican colleagues in opposing the creation of an "affordable housing fund" to be drawn from the GSEs' after-tax income, and used to fund certain housing initiatives by outside third parties, including non-profit organizations and community development groups. You have informed me — and it is widely reported — that this year's bill will include a modified version of this proposal, one substituting a funding mechanism based upon a percentage of mortgages purchased by the GSEs.

It is well-known to me that you hold a long-standing and sincere belief in the importance of such a fund being included in GSE reform legislation. While I respect your view, I do not share it. In my opinion, this fund represents, in essence, a tax on lower and middle class homeowners to finance a government housing program, the need for which is debatable. While I have not formally polled the entire Republican membership of the Committee, the concerns expressed by many Members during the debate over this issue last Congress leads me to conclude that most of them share my concerns.

Accordingly, I am unable to support legislation that includes provisions that impose additional costs on low and middle-class homeowners, and are, I believe, extraneous to the critical mission of creating a world-class safety-and-soundness regulator for the GSEs. Removal of these provisions, on the other hand, would result in legislation that an overwhelming majority of Republicans and I could enthusiastically support, while perhaps increasing the odds of the legislation's ultimate enactment.

Even though I oppose the proposed fund, I stand ready to work with you toward the central goal of strengthening regulation of the GSEs. Again, thank you for soliciting my views as the Committee begins its important work on GSE reform legislation. You would agree, I hope, that our differing approaches on this issue should not detract from our mutual commitment to respect our differences while working in a bipartisan manner where we can reach consensus.

Sincerely,

Spencer Bachus

Ranking Member

###

