

Ranking Member Spencer Bachus (AL) Opening Statement at the Hearing on "Legislative Proposals on GSE Reform"

March 15, 2007

Thank you, Chairman Frank, for holding this very important hearing. Meaningful GSE reform is vital, not only to Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks, but to taxpayers, homeowners and prospective homeowners, too.

This committee has been working to enact meaningful reform for years. But this is not an issue with convenient answers. Actually, it is a subject where every proposed solution raises new, difficult questions.

Promoting homeownership, especially homeownership for low and moderate income families, is a priority of the Republican members of this Committee. Congress created the housing GSEs to expand homeownership and meet the needs of any person who wants to live the American Dream. We must balance that requirement with the responsibility of limiting risk to the taxpayer and burden to the market.

Fortunately, a strong bipartisan consensus exists around the issue of GSE reform. Events of recent years have led many to conclude that the current regulators are under-funded, understaffed and unable to fully oversee the operations of these sophisticated enterprises. Fannie, Freddie and the Federal Home Loan Banks are large, complex financial institutions requiring a world class regulatory structure which is independently funded, with all appropriate authority and independence.

When the Committee debated GSE legislation last Congress, I joined a substantial number of my Republican colleagues in opposing the creation of a fund that would have been 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. This year's bill includes a modified version of this proposal, one substituting a funding mechanism based upon the GSEs' total outstanding mortgages. In the interest of fairness and accuracy, the language in this year's bill is an improvement over last year's version.

While I respect Chairman Frank's longstanding and sincere belief in the importance of creating this fund, I agree with the Congressional Budget Office that these new assessments on the GSEs would inevitably be passed along to their customers in the form of higher fees, thereby raising the costs of purchasing a home or refinancing an existing mortgage. Many on our side of the aisle also have serious questions about the ability of state housing bureaucracies to competitively and efficiently deliver and monitor upwards of \$500 million per year. Further, the proposed fund is extraneous to the task at hand: creating a world-class safety-and-soundness regulator for Fannie, Freddie and the Federal Home Loan Banks. Therefore, I remain opposed to inclusion of the proposed "Affordable Housing Fund" in the GSE reform bill.

We have it in our power to pass a strong, very much needed GSE reform bill with overwhelming bipartisan support. All

that would be necessary to achieve this goal is to de-link GSE reform from the proposed housing fund, and to make the latter the focus of a separate legislative proposal.

Let me conclude by saying that I still believe we can address this honest philosophical disagreement in a manner consistent with the House Financial Services Committee's long and unique history of bipartisan cooperation. Hopefully we can move forward swiftly on the issue of GSE reform, and then tackle the separate question of expanding our nation's affordable housing supply in a manner beneficial to the taxpayer and consistent with free market principles.

Again, Mr. Chairman, I thank you for holding this hearing, and thanks to our witnesses for taking the time to be here.

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