

STATEMENT FOR THE RECORD
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM
HEARING ON THE ROLE OF
FANNIE MAE AND FREDDIE MAC IN THE FINANCIAL CRISIS
TUESDAY, DECEMBER 9, 2008

Mr. Chairman, we meet today to examine the role that Fannie Mae and Freddie Mac played in our nation's current economic crisis that started with the collapse of the housing bubble. While Fannie Mae and Freddie Mac's role in this matter is no doubt an important issue worthy of review by the Congress, it is my hope that the Committee will also have the opportunity to discuss the role that the delay by Senate Republicans in passing legislation to provide effective government regulation of these entities played in this crisis.

Fannie Mae and Freddie Mac play a vital role in our housing markets and the wider economy during these uncertain times. They own or back about \$5.4 trillion of our nation's mortgages. In the current environment, they are also helping to finance about three-quarters of new mortgages.

As early as 2000, in my role as the Senior Democrat on the Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, I have consistently and vocally promoted a strong, independent, world-class regulator for Fannie Mae and Freddie Mac with the resources needed to get the job done. Unfortunately, President Bush, with the support of some Republican Members of Congress, obstructed efforts to improve the regulation of these government-sponsored enterprises.

For fiscal year 2001, Republican appropriators cut funds for the Office of Federal Housing Enterprise Oversight (OFHEO), the safety and soundness regulator for Fannie Mae and Freddie Mac, by almost \$5 million. When I joined many other House Democrats in attempting to restore this funding through an amendment, Republicans overwhelmingly opposed and defeated the full amount, even though it was requested by OFHEO's head.

In 2005, with my strong support, the House Financial Services Committee, on a bipartisan basis, passed a comprehensive government-sponsored enterprises reform bill. A short time later, the bill passed the House, but this legislation died in the Senate in part because of the lack of support in the White House. Mike Oxley, the Republican Chairman of the House Financial Services Committee at the time blamed the White House for failing to pass the bill and causing the current crisis with Fannie and Freddie, stating 'What did we get from the White House? We got a one-finger salute.'

When Democrats regained control of Congress in 2007, we made regulation of Fannie Mae and Freddie Mac a priority and passed a regulatory reform bill in May 2007, which the Senate passed and the President finally signed a year later. I only wish that the President had heeded warnings earlier about the need to act.

In closing, Mr. Chairman, I look forward to participating in today's hearing investigating the role that Fannie Mae and Freddie Mac played in the current economic crisis. I also look forward to spending a significant amount of time in 2009 considering how our nation's system of housing finance operates and how best to revise it.
