

STATEMENT OF MELVIN L. WATT BEFORE THE SENATE BANKING
COMMITTEE
JUNE 27, 2013

Chairman Johnson, Ranking Member Crapo and members of the Committee, I appreciate very much the opportunity to appear before you today to discuss my nomination to become the Director of the Federal Housing Finance Agency and to request formally that your Committee recommend that the Senate confirm me to this position. I am deeply honored by the nomination and I am honored that members of my family and others are here to support me in this effort.

In the interest of time, I'll give just a brief summary of my background. I was born and grew up in a little community called "Dixie," out in the country but with a Charlotte, North Carolina address. I attended the Charlotte-Mecklenburg public schools at a time when they were still segregated. After graduation, I gained admission to the University of North Carolina at Chapel Hill where I graduated with a degree in business administration in 1967. I obtained my law degree from Yale University Law School in 1970 and returned to Charlotte to join a law firm that was best known for its civil rights reputation. However, the definition of "civil rights law" was changing to include economic and business development and I agreed to join the law firm with the understanding that my role would be to stand up a business practice.

Over the course of 22 years in the practice of law, I practiced business law, representing individuals, partnerships and corporations of all sizes and descriptions. Over half of my legal practice was real estate or related to real estate and I also became the managing attorney of the law firm. Representing the City of Charlotte, my joint venture partners and I became the first North Carolina lawyers to do the legal certifications required to issue municipal bonds.

When I started in Congress in 1993, I was fortunate to be assigned to committees that matched my background, the House Banking Committee (now the House Financial Services Committee) and the House Judiciary Committee. I have served on both of those committees continuously since then. Like the Senate Banking Committee, the House Financial Services Committee has general jurisdiction over housing, banking, insurance and other financial services matters. I have served on subcommittees that deal with all the various matters under the Committee's jurisdiction.

Counting my 22 years in the practice of law and my 21 years in Congress, I have had 40+ years of experience in housing, real estate and other financial matters.

As part of the nomination process, I have had the opportunity to meet with a number of members of the Senate. During these conversations I've been asked two questions more than any others. The questions are:

- "Why do you want this position?" and
- "What do you see as the role of the Director of the FHFA?"

For me, the answers to these questions are very much related and I'd like to roll my answers to them together in the short time I have left.

Throughout my life, I've come to understand deeply just how important where you live is to who you are. I've observed that having a place to live is "basic" and that's true, regardless of whether you rent or whether you own. I suspect that my recognition of this started when I spent

the earliest years of my life in an old house my Mom rented which had no electricity and no inside plumbing. My brothers and I could see the stars at night through the tin roof and we could see the ground through our rickety floors. I still get emotional when I recall, as a little boy, watching a big, long truck maneuver what had been an army barracks slowly down the road from the Charlotte airport to place it on a little lot that someone gave to my mother. That's the house I grew up in, four rooms – one bedroom for my Mom, one for me and my two brothers, a kitchen and a living room. I also get emotional when I recall watching them drill the well on our lot so we could have running water for the first time and helping my Uncle Leonard dig the septic tank lines so we could have a bathroom inside.

Over the years, home ownership and home equity have become the primary asset and source of retirement security for many families. A place to live is a basic necessity, however, whether you rent or whether you own. Having a place to live provides a sense of stability. It impacts our decisions about schools and transportation. It impacts our sense of community. Growing up, there was nothing more basic for me, except family, food and the little Presbyterian Church that adjoined our front yard and made it impossible for us to get to the road without crossing the church lot. I'm still a member of that church. So where I lived even guided my choice of religions.

A place to live is basic. So over the years, I've worked to eliminate homelessness and I've been active in community development and neighborhood revitalization. And, of course, I've walked hundreds of families through real estate closings, which for many of them was the most important financial transaction they will ever make. So I was devastated when our housing finance system started to lose its way. And I was among the first to realize that which is why Representative Brad Miller and I became the first to introduce anti-predatory lending legislation, four years before the housing meltdown became obvious. And much of what was in that that legislation became a central part of the anti-predatory lending standards in Dodd-Frank.

I really can't think of anything I'd rather do now that would be more important than helping our housing finance system find a reliable way forward. I believe we're at a unique moment in the history of how housing finance is carried out in our country. Coming through what is arguably the worst period in our history related to housing, we're struggling to find the right path out of a status quo that no one believes is desirable.

The good news is that a broad consensus has emerged on the direction that our next steps must take us – towards a system driven by private capital that minimizes the risk to taxpayers. The legal framework for getting to that destination will, of course, be up to the House and Senate. But in the Housing and Economic Recovery Act, the House and Senate authorized the creation of the FHFA and provided clear statutory directions on the role that the FHFA will play in the interim to help get from here to there. That statutory role directs the FHFA and its Director to carefully and prudently “oversee the prudential operations of each regulated entity” through the transition in a way that protects the interests of the taxpayers and to make sure that each of these entities continues to “foster liquid, efficient, competitive and resilient national finance markets” in the meantime, until decisions are made about how housing finance will be done in the future. Acting Director DeMarco and the FHFA have followed these mandates effectively and I applaud their work.

I want to be clear about my role and the role of the FHFA under my leadership should I be confirmed. The Housing & Economic Recovery Act clearly defines the role of the FHFA and the Director. And, if confirmed, you can be assured that I will rigorously follow the statute in an open and transparent manner working with all stakeholders. You can also be assured that we'll

continue to build a solid bridge from where we are now to whatever you decide the future housing finance system will be, we'll continue to test risk-sharing models that move housing finance aggressively to the private sector and we'll cooperate fully and be a resource to members of the Senate and the House as you decide the future of housing finance.

I look forward to answering any questions you may have.