

## **Johnson Opening Statement on FHFA Oversight Hearing**

**WASHINGTON** – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held an oversight hearing on the Federal Housing Finance Agency, and heard from FHFA Inspector General Steve Linick. This was the Committee’s second FHFA oversight hearing this year.

*Below is Chairman Johnson’s statement as prepared for delivery:*

“I would like to welcome the first Inspector General of the FHFA, Steve Linick, before the Committee today.

“As we wrap up the hearings for this year, I am pleased that the Ranking Member and I were able to agree to a plan for the hearings the Committee held on housing finance reform this year, and hope that we will be able to continue that bipartisan approach next year.

“The twelve housing finance related hearings we held this year have highlighted some general principles I believe we hold in common that will guide us going forward. Small institutions that maintained sound underwriting standards during the boom should still have access to any secondary market that is created in the future. This is important for maintaining strong, responsible homeownership opportunities in rural and underserved areas. Fully documented underwriting should be the standard practice in any system going forward. Clear rules of the road are essential for providing stability to the market, but the transition must be a gradual one given the current, fragile state of the market.

“The Committee’s exploration of these specific topics has helped inform members and build a record on which the Committee can evaluate legislative efforts. Looking ahead to next year, there are some topics that still need to be explored, but I am hopeful that Senator Shelby and I can continue moving forward on housing finance reform in the same bipartisan way that we have conducted hearings and markups this year.

“In nearly every hearing this year, the current state of the economy and strategies for improving the housing market were topics of discussion. The need to reform our housing finance system and the need to improve the housing market go hand in hand. The Federal Housing Finance Agency, as conservator of Fannie Mae and Freddie Mac, could play a significant role in improving the housing market, but based on reports from the Inspector General’s office, there are deficiencies at the agency that are holding back those efforts.

“I am concerned that the reports produced by the Inspector General’s office show several negative trends in FHFA’s oversight of operations at Fannie Mae and Freddie Mac. First, the regulator defers to the GSEs on major decisions without independently verifying the benefits to the conservatorship or the taxpayers. Second, the FHFA appears to allocate staffing resources in a manner that limits its ability to enforce directives and adequately oversee operations at the GSEs. These two trends appear to restrict the FHFA’s ability to help stabilize the housing market and protect taxpayer dollars while also continuing the problematic relationship that Fannie Mae and Freddie Mac had with their previous regulator.

“Despite its independent status, which was granted on a bipartisan basis in 2008 as a single director with Congressional appropriations, and expanded powers as conservator, FHFA could be doing more to prevent losses and enforce required changes at Fannie Mae and Freddie Mac. As the regulator of two of the largest entities in the housing market, it is essential that FHFA prioritize oversight as one of the strategies necessary to stabilize our housing market. This would benefit the taxpayers both by strengthening the current state of the GSEs and also providing guidance and consistency to a large sector of the housing market to further create stability for homeowners and potential homebuyers.

“I look forward to hearing your recommendations for improvements and the possible reasons for the trends that you continue to see, Inspector General Linick.”