

Statement of Senator Richard Shelby
Future of the Mortgage Market and the Housing Enterprises
Committee on Banking, Housing and Urban Affairs
October 8, 2009

- Thank you Mr. Chairman.

- As we consider the future of the GSEs, we would be wise to remember the disastrous consequences that poorly regulated GSEs can have on our financial markets.

- Just one year ago, Fannie Mae and Freddie Mac were placed into conservatorship when they could not cover billions of dollars in losses.

- Despite repeated warnings by me and others about the risks the GSEs presented, they were allowed to accumulate more than \$5 trillion in financial obligations with only minimal amounts of capital.
- The Congressional Budget Office now estimates that resolving the GSEs will cost American taxpayers \$389 billion. We must ensure that this never happens again.
- This hearing, therefore, comes at an opportune time as this Committee is considering financial regulatory reform.

- There is no doubt that the failure of Fannie and Freddie was a significant factor in the financial crisis because their activities touched nearly every aspect of our financial system.
- In addition, their debt is among the most widely-held in the world. They are also major counterparties to our most prominent financial institutions. Accordingly, regulatory reform must involve the GSEs.

- Unfortunately, the Administration made no effort to include the GSEs in its financial regulatory reform proposal. Instead, the Administration has said that it will not propose how to deal with GSEs until next year.
- I believe that this is a grave mistake that will make it more difficult to reform our financial system and that will potentially expose taxpayers to even greater losses.

- What we need is a clear plan that addresses both the GSEs' ongoing financial difficulties and the role the GSEs should play in our economy going forward.
- I fear that the longer we wait, the more it is going to cost the American taxpayer.
- Certainly, the question of what to do with the GSEs is difficult and complex. Yet, it is a question that we ignore at our peril.
- Thank you, Mr. Chairman.