

## **Johnson 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.

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

“I would like to thank Mr. DeMarco for being here today. As I mentioned at our hearing on November 3, we have been planning to hold an FHFA oversight hearing, and I am pleased it was able to come together so quickly.

“As Ranking Member Shelby, and others, so accurately noted during consideration of the Housing and Economic Recovery Act in 2008, one of the most important aspects of the bill was the establishment of the Federal Housing Finance Agency as an independent regulator. This ensures that it can operate without undue political interference and that the appropriations process cannot be used to hold the regulator hostage.

“With this independence, the Banking Committee must exercise Congressional oversight to ensure that the agency is balancing its attention among the entities it regulates and the role as conservator of Fannie Mae and Freddie Mac.

“To give the Committee and the public greater confidence in the new regulator, HERA also established the FHFA Office of the Inspector General to investigate potential concerns and ensure transparency of the regulator's operations. I plan to invite Inspector General Linick before the Committee at a date to be determined. It is only appropriate that we should hear from him as well. The Inspector General's role is even more important while FHFA is acting as both conservator and regulator.

“It is important for this Committee to understand how FHFA evaluates new opportunities and programs at Fannie Mae and Freddie Mac during conservatorship, including the decision to allow them to participate in certain Making Home Affordable programs and the decision not to participate in or initiate other programs.

“The internal operations at FHFA are also important, as staffing of the regulator will affect its oversight of the GSEs. Oversight of executive compensation structures and evaluations of executive performance goals both require the regulator's attention. FHFA must have proper management of operational risks, as well as secure and updated information systems and privacy policies. I am concerned about recent reports that show problems in each of these areas, and that FHFA does not have adequate certified staff to perform examinations of the entities under its supervision.

“FHFA is tasked with regulating two of the largest entities in the mortgage market, Fannie Mae and Freddie Mac, which together backstop approximately \$5 trillion in mortgages and help support the nearly \$11 trillion U.S. mortgage market. Unfortunately, that market is now supported by \$170 billion in assistance from the taxpayers. As we've heard from other witnesses

before this Committee, the mortgage market would be even worse-off than it is today if they had not been placed into conservatorship during the Bush Administration.

“But as we have said over and over again, we need to find ways to end the need for future support without destabilizing the housing market further.

“Finding a path out of conservatorship is a task for both the FHFA and this Committee. I would like to thank Senator Shelby and his staff for working so closely with me and my staff in laying out the hearings the Committee has held so far this year. I hope we can continue to work together to do our homework and create a sustainable system for the housing market going forward that can protect taxpayers and spur economic growth.

“An adequately staffed and engaged regulator is a key component to a stable housing market. Mr. DeMarco, I look forward to hearing about the steps you have taken as Acting Director of FHFA since the last time you were before the Committee.”