

REMARKS OF JOSEPH A. SMITH, JR.

Confirmation Hearing Before the Committee on Banking, Housing, and Urban Affairs U.S. Senate December 9, 2010

Mr. Chairman, Ranking Member Shelby and members of the Committee. I am Joseph A. Smith, Jr., currently the North Carolina Commissioner of Banks, and the President's nominee for the office of Director of the Federal Housing Finance Agency. It is an honor and a privilege to sit before you today.

I would like to express my appreciation to the President for nominating me to this position, and his confidence in me in fulfilling this significant role. I would also like to express particular thanks to Chairman Dodd and Ranking Member Shelby for agreeing to consider my nomination so promptly. Such consideration is a great courtesy to me, and a recognition of FHFA's critical importance. Thank you very much.

I regret that Elizabeth Smith, my wife of 31 years, cannot be with me today. Without her love and support, including sound advice, I would not be here today.

I come before you with a commitment to public service and to strengthening the nation's housing finance system, direct experience in both banking and housing, and the hard-won knowledge I have managed to accumulate over a thirty-five year career in law, banking and state government service. During my career, I have been directly involved in a variety of activities that serve as a daily reminder of the challenges ahead. I have worked out commercial loans, represented a bank through a real estate crisis, implemented both state and federal mortgage licensing regimes, and supervised banks in varying stages of distress, up to and including resolution.

In my eight years as the North Carolina Commissioner of Banks, my colleagues and I have worked diligently and consistently to mitigate losses to our lending institutions and the financial system at large, as well as to prevent failures on a broader scale. My office supervises depository institutions with over \$245 billion in total assets and a range of non-bank financial services firms, including mortgage bankers and brokers, consumer finance companies, check cashers and money transmitters. I have been the Commissioner during the recent financial crisis and have direct experience as a safety and soundness regulator.

While I believe that this experience will be important should I be confirmed as Director of FHFA, I also know that experience alone will not be enough to be successful in this position. In that regard, I look forward to working with the staff of FHFA, the Administration, and with you and other members of Congress for input and guidance.

We are facing a significant challenge in the housing finance markets today. Fannie Mae and Freddie Mac are under conservatorship and have received \$151 billion from the Treasury Department in order to maintain their support of the housing market, which is critical at this time. But conservatorship cannot be a long-term solution. Congress and the Administration have important decisions to make regarding the future structure of the housing finance system. If confirmed, I look forward to working with you and having FHFA become an active participant in that process.

I understand that, if confirmed, you expect leadership and not just management. The activities of Fannie Mae and Freddie Mac are national in scope but local in impact, directly affecting communities across the country. Leadership in this context means determining how to address critical local needs in conjunction with the Agency's duties of conservatorship.

I also pledge to you the same kind of leadership with regard to FHFA's supervision of the Federal Home Loan Banks. I expect many of you have heard from your bankers what I have heard from mine: the Federal Home Loan Banks are a crucial and needed source of funding and support to community banking which, in turn, plays a vital role in addressing the credit needs of consumers, small businesses and communities around the country. As FHFA has effectively reported, the Federal Home Loan Banks have their own challenges and are now subject to enhanced supervision. Community banks are dear to my heart, and you may be assured that the Home Loan Banks will receive my full attention, with an eye to strengthening them and the banks they serve.

Mr. Chairman, Ranking Member Shelby and members of the Committee, thank you again for your consideration of my nomination. Should you see fit to confirm me, I look forward to serving as the Director of the Federal Housing Finance Agency. I would be happy to answer any questions you may have.