Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Nomination Hearing
December 7, 2021 at 10:00 AM

Thank you, Mr. Chairman.

Ms. Salehi and Mr. Tomney, welcome to you both. I commend you for your commitment to public service.

Mr. Tomney, if confirmed, you'll have a challenging job. The GSEs led us into the 2008 financial crisis through their excessive risk taking. Congress established FHFA as a tough regulator to ensure that never happened again. But instead of being the cop on the beat, the Biden administration seems intent on turning FHFA into a co-conspirator with the GSEs.

FHFA has taken a number of troubling steps to extend credit to risky borrowers and undermine the GSEs' financial condition. It has proposed reductions in the GSEs' capital requirements, lowered guarantee fees and has said it is considering further cuts, suspended restrictions on the GSEs' risk layering and acquisitions of investor and second home loans, relaxed the GSEs' underwriting requirements, and replaced much of FHFA's senior leadership.

Meanwhile, housing prices have skyrocketed an astonishing 18.5% in the last 12 months alone. I think it's a question of when, not if, these good times for the housing market come to an end. I worry that FHFA's enabling of risky lending, together with the administration's total disinterest in recapitalizing the GSEs through outside private capital, has placed the GSEs on a path toward another round of taxpayer bailouts.

Mr. Tomney, if that were not already enough, your job will be made more challenging by an administration with no discernable housing policy besides giving mortgages to as many borrowers as possible with little regard to their ability to repay.

Housing is expensive because our housing policy subsidizes demand while ignoring supply constraints. The Democrats' reckless tax-and-spend bill makes little effort to increase housing supply.

The Senator Schumer earmark, or “Schu-mark” that I discussed at the October 21st hearing, would spend up to $40 billion renovating New York City’s existing public housing. Much of the other housing funds would go to imprudent downpayment assistance and rental vouchers that add to housing demand.

The bill even creates an astonishing invitation to mortgage fraud by making $15 billion available to borrowers who sign an attestation, truthfully or not, that they are “first-generation homebuyers.” Amazingly, you can qualify so long as your parents do not currently own a home and you have not owned a home in the last three years. So much for “first generation” homebuyer.

We need to try something different than the same housing policies that caused the 2008 financial crisis. To that end, in March I proposed principles to guide housing finance reform discussions. The administration, however, has shown no interest in real reform, and even missed a September 30th deadline to report on its plan.

Mr. Tomney, given the path the administration has put us on, I suspect you might soon be investigating how we so eagerly doubled down on 50 years of failed housing policy and so predictably led the GSEs into another round of taxpayer bailouts.

Now turning to EXIM. EXIM claims that it only takes risks that private lenders are unable or unwilling to take. We should stop right there and ask ourselves: if private lenders are unwilling or unable to take a risk, why should taxpayers be forced to take that risk?

Yet at the same time, EXIM also claims it only makes safe bets. It's impossible to do both. EXIM can't only take transactions so risky that no one else will do them, and at the same time only be doing safe transactions.

EXIM wins business by systematically underpricing risk. That's why borrowers go to EXIM, instead of any number of private lenders that will not offer deals on the same terms as EXIM.

That’s why our largest banks go to EXIM for loan guarantees. The EXIM terms are too good to be true—at least in the private sector.

It’s important to note that the vast majority of American exports get done without EXIM support. We’ve reviewed annual export data from 2007 through 2020. In that period, the highest percent of U.S. exports using EXIM financing was in 2012 and it was only 2.3 percent. And that was when EXIM had everything going for it. It was fully operational, had a quorum on its board, and had not reached its lending limit.

The reality is: we’re the world’s second largest exporter of goods behind only China. We lead the world in value-added exports. And we do it almost entirely without EXIM financing.

Not only is EXIM financing generally not needed, but it’s often nothing more than crony capitalism providing taxpayer-financed subsidies to some of the world’s largest companies who have access to private capital. EXIM’s recent deal guaranteeing an $82 million loan from JP Morgan to Qantas for the purpose of buying jet engines from GE is just one example.

Generally, the same giant lenders, exporters, and foreign companies—often state owned—benefit from EXIM while taxpayers take the risk. There's also a history of waste, fraud and abuse at EXIM.

EXIM’s IGs have identified numerous concerning practices at the bank over the years. If confirmed, Ms. Salehi will have the important responsibility of serving as an independent watchdog.

Mr. Chairman, I look forward to hearing from today’s nominees.