

**Crapo Statement at FHFA Hearing  
May 23, 2018**

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled “Ten Years of Conservatorship: The Status of the Housing Finance System.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“Today, we will receive testimony from Federal Housing Finance Agency Director Mel Watt on the status of Fannie Mae, Freddie Mac, and the broader housing finance system.

“The Banking Committee has been busy over the past year and a half.

“Yesterday, the Committee passed a bipartisan bill to reform CFIUS.

“Earlier this year, the Senate passed S. 2155, bipartisan legislation focused on rightsizing regulations for community banks and credit unions, which was passed by the House yesterday and will hopefully soon be signed into law.

“But we have not forgotten about housing finance reform, which remains one of my top priorities as Chairman.

“Fannie Mae and Freddie Mac have now been in conservatorship for close to ten years.

“You appeared before this Committee a year ago, and we talked about the importance of finding a permanent solution for our housing finance system.

“The status quo is not a viable option.

“The government plays too big a role in the mortgage market today.

“You stated last year, as you have many times in the past, that ‘unequivocally... it is the role of Congress, not FHFA, to make the decisions that chart the path out of conservatorship and to the future housing finance system.’

“I agree with this sentiment, and I look forward to continuing to work with you and your staff as we delineate a way forward.

“Meanwhile, over the past couple years, FHFA, Fannie Mae, and Freddie Mac have all been busy.

“The underwriting requirements on conforming mortgages have progressively weakened over time.

“The enterprises began purchasing loans with less than 5 percent down in 2014.

“Since then, Fannie’s and Freddie’s 97 LTV loans have become increasingly popular.

“Freddie recently announced a new program called HomeOne, separate from its existing low down payment program, which will allow low down payment loans without any income or geographic restrictions.

“According to one report, Freddie ‘is about to supercharge its 3 percent down program’ as it ‘takes aim at FHA.’

“Meanwhile, both enterprises have also experimented with pilot programs that allow certain lenders to sell loans with 1 percent, or even 0 percent, down.

“Last summer, Fannie Mae raised its maximum debt-to-income ratio from 45 to 50 percent, and according to reports both GSEs saw a surge in high DTI loans in the second half of last year.

“Additionally, Fannie and Freddie have continued to expand into other markets, such as single family rentals.

“Freddie Mac has also begun providing lines of credit to nonbank mortgage servicers, presumably at cheaper rates than available in the market.

“I understand your role requires juggling multiple mandates as both conservator and regulator.

“I also appreciate that Fannie’s and Freddie’s underwriting standards remain tighter than they were at the peak of the housing boom.

“However, the overall trends I am seeing toward greater taxpayer risk and greater government presence in the mortgage market are concerning, and further demonstrate the need for Congress to turn to housing finance reform expeditiously.”

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