

Statement of Senator Tim Johnson
May 15, 2008
Senate Committee on Banking, Housing, and Urban Affairs
Mark up of The Federal Housing Finance Regulatory Reform Act, the
American Veterans Disabled for Life Commemorative Coin Act of 2007 and
an original bill to make technical corrections to Title III of SAFETEA-LU.

Thank you, Mr. Chairman. Before I begin my remarks on the Federal Housing Finance Regulatory Reform Act of 2008, I would like to take a few minutes to talk about the American Veterans Disabled for Life Commemorative Coin Act of 2007. I thank my colleagues here on the Committee for cosponsoring the Senate companion bill that I introduced.

This bill will authorize the Secretary of the Treasury to mint a commemorative coin in 2010 honoring the millions of veterans of the United States Armed Forces who were disabled while serving our country.

Revenues from the surcharge on the coin would go to the Disabled Veterans' LIFE Memorial Foundation to help cover the costs of building the American Veterans Disabled for Life Memorial in Washington, D.C. Federal legislation for the Memorial, Public Law 106-348, was signed into law on October 24, 2000. Authorization was extended until October 24, 2015, by Public Law 110-106. On

October 10, 2001, the National Capital Planning Commission unanimously approved the Capitol Hill location of Washington Avenue at 2nd Street, SW.

The mission of the Disabled Veterans' LIFE Memorial Foundation is to commemorate the selfless and continuing sacrifice of America's 3 million living disabled veterans, ensuring they will always be remembered; to provide all Americans with a place to express their appreciation for the men and women who came home from war bearing the scars of our great nation's defense; and to serve as an eternal reminder of disabled veterans' honor, service, and sacrifice. We have an obligation to ensure that the men and women who each day endure the cost of freedom are never forgotten.

Moving on to the national housing crisis and our efforts to stabilize the mortgage market. In this time of uncertainty in our national economy, it is the Government Sponsored Enterprises (GSEs) that have maintained any form of stability in the mortgage market. The GSEs play an important role in improving lending standards and practices that benefit consumers. The ability of the GSEs to impact the primary mortgage market by establishing higher standards in the secondary market means homeowners benefit from lower rates, more choices, and better mortgage terms. In light of the recent housing market breakdown in many parts of

the country, it is the high standards of the GSEs that maintained the mortgage market in this country. We must recognize that contribution as we act to strengthen their regulator.

Unfortunately, we had to learn the hard way how important Freddie Mac, Fannie Mae and the Federal Home Loan Banks are to maintaining a stable and secure housing market. I am pleased that Chairman Dodd and Senator Shelby have come to an agreement on this legislation to create a strong regulator to uphold the safety and soundness of the GSEs. We are seeing the effects of runaway enthusiasm and, in some cases, downright greed on the housing market and creating a strong regulator will protect the GSEs and homeowners from similar bouts of manic confidence in the housing market.

Chairman Dodd's bill enhances the regulation of the GSEs by giving bank-like regulatory authority to the new regulator in several areas that could have an impact on the safety and soundness of the GSEs while also providing the regulator with the ability to recognize the different structure, mission and responsibilities of the Federal Home Loan Banks. Because of the unique nature of GSEs, it is critical that the regulator understand their differences and it is also critical that any

regulation affecting them be made at the federal level whether it be the conforming loan limit, capital requirements or appraisal standards.

The bill also balances the need for a strong regulator with the affordable housing mission of the GSEs. The Affordable Housing Fund injects needed dollars into states and programs that serve low income populations. I am particularly pleased that Senator Reed's proposal to allow part of the fund to be allocated to a Capital Magnet Fund that can fund development, infrastructure, housing rehabilitation and housing for low income individuals and families. Often in rural communities new infrastructure for housing is a large hurdle. I am very supportive of the Capital Magnet Fund. I am also very pleased that this legislation recognizes the significance of Federal Home Loan Banks in rural communities. Expanding the Community Financial Institutions asset cap to \$1 billion will greatly benefit member banks in rural areas that are often the sole local source for lending. Without such a change, economic development and family businesses could suffer.

However, we must act in a responsible manner to help hardworking homeowners access mortgages and to help lending institutions access the liquidity to make those loans. We should be careful not to take an extreme approach that would ultimately reward borrowers who took large risks and make it more difficult for hardworking

Americans to receive affordable mortgages. We must take care not to provide benefits to those who sought to make a quick buck by falsifying their income or other information to receive a loan at the expense of those who played by the rules. I am confident that the bill marked up by this committee will create a stronger secondary market that is better able to respond to changes in the housing market.