REMARKS OF CHAIRMAN CHRISTOPHER J. DODD
U.S. SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
FUTURE OF THE MORTGAGE MARKET AND THE HOUSING ENTERPRISES
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Good morning.

Today, we meet to discuss the Government-Sponsored Enterprises – Fannie Mae and Freddie Mac – and the role they will play as we seek to restore normalcy to the mortgage market.

But let's not forget what we're really talking about.

We're talking about whether responsible homeowners will have the access to the home loans they need to realize their American dreams.

Last year, when the mortgage market collapsed, the Director of the Federal Housing Finance Authority put Fannie Mae and Freddie Mac into conservatorship.

At the same time, Secretary Paulson exercised the authority he was given by last year's bipartisan *Housing and Economic Recovery Act* to provide back-up funding for the two companies, ensuring that they could continue financing mortgages during the housing crisis.

Today, we consider where we need to go from here.

Now is the time to look forward. But with so much damage done by this financial crisis, the role of the GSEs in that crisis is still hotly debated.

Let me just say: Fannie and Freddie were neither the villains that caused the crisis, as some claim, nor the victims of that crisis, as others would make them out to be.

They didn't create the subprime and exotic loan market – but they did chase it to generate profits.

And, like many of the supposedly-private financial institutions that ended up becoming equivalent to GSEs, Fannie and Freddie enriched their shareholders and management, while the public took the losses.

We can't let that happen again.

As we look forward, we must start by setting benchmarks to determine whether the mortgage market is healthy, so that American families can once again begin to build wealth – not the kind of wealth that buys mansion and yachts, but the kind of wealth that sends kids to college and ensures a comfortable retirement.

First: the mortgage market must remain liquid and stable, especially in times of stress. Otherwise, rates are driven up, prices are driven down, and American families lose.

Second: we must encourage product standardization, such as the widespread availability of the 30-year, fixed-rate mortgage without prepayment penalties. This helps both borrowers and lenders.

Third: mortgage credit must remain consistently available and affordable. Homeownership remains part of the American dream. That dream should be accessible to everyone – and sustainable for everyone.

Today, the market is meeting these tests – but only through massive government intervention.

The Federal Reserve, for example, has committed to pumping more than $1 trillion into the mortgage market. That can't go on indefinitely.

Therefore, it is time to begin the conversation about how we can recreate a functional market that stands on its own two feet, and to decide what role, if any, the GSEs should play. I want to start that conversation by posing a number of questions:

Can the market function with no government involvement?

Should, on the other hand, the government completely and explicitly take over the job previously done by Freddie and Fannie?

Do we want a model where there is some private capital at risk, but only under strict government control, like a utility?

These are important questions. The answers are critical to ensuring the American dream. And I look forward to considering these questions with our distinguished panel today.

Before turning to Senator Shelby, I want to quickly add that I am hopeful that the higher GSE and FHA loan limits, which we first established in HERA, will be extended again in the HUD appropriations bill currently being negotiated. These higher loan limits are helping many borrowers purchase homes or refinance their mortgages. I think we need to keep this support in place.

I'd now like to recognize Senator Shelby.