**Crapo Statement at Housing Finance Hearing**

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the United States Senate Committee on Banking, Housing and Urban Affairs, today delivered the following opening remarks during a full committee hearing entitled: “Principles of Housing Finance Reform.”

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

“Today, the Committee will discuss and receive testimony on important principles of housing finance reform.

“Reforming the housing finance system is one of my key priorities this Congress.

“I have repeatedly stated that the status quo is not a viable option.

“In September of 2008, Fannie Mae and Freddie Mac were placed into conservatorship.

“Nearly nine years later, the two enterprises remain in limbo.

“Today, Fannie and Freddie, along with FHA, dominate the mortgage market.

“Approximately 70 percent of mortgages are backed by the federal government, and the largest buyer of mortgage backed securities is the Federal Reserve.

“Fannie and Freddie are currently earning profits, but if the housing market experiences a downturn, and at some point it will, taxpayers could again be on the hook for many billions of dollars.

“Reform is urgently needed, and the Committee is actively exploring a variety of options.

“There are a number of principles that I believe share bipartisan support that we will explore further today.

“We must preserve the to-be-announced market and an affordable, accessible 30-year fixed rate mortgage.

“We need multiple levels of taxpayer protection standing in front of any government guarantee, including down payments, loan-level private insurance, and substantial, robust, loss-absorbing private capital at guarantors comparable to the amount of capital maintained by global systemically important banks.

“Strong capital is essential to ensure that guarantors and other market participants can withstand market downturns.

“We must ensure that small lenders have a level playing field when accessing the secondary market.

“The existing multifamily programs at Fannie and Freddie, which performed well through the crisis and already involve meaningful risk-sharing with the private sector, should be preserved in some form as options in a future system.

“And importantly, the transition to a new system should be orderly and deliberate, and should utilize existing market infrastructure where possible.

“Additionally, we will explore some other concepts that could play a role in reform efforts.

“One interesting idea is to securitize conventional mortgages with a Ginnie Mae wrap.

“One of our witnesses, Mr. DeMarco, co-authored a paper suggesting one way to do that.

“Another important issue to address is how to foster competition among guarantors, to avoid the pre-crisis duopoly of two too-big-to-fail financial institutions.

“We also may want to consider the role FHA plays in the housing finance system, and what reforms to FHA may be necessary as we work to establish a new system.

“A housing finance system dependent on two government sponsored enterprises in perpetual conservatorship is not the solution.

“Recapitalizing the enterprises and releasing them back into the market without significant reforms is also not a solution.

“The current system is not in the best interest of consumers, taxpayers, investors, lenders, and the broader economy.

“Three years ago, a bipartisan group of Senators passed a housing finance reform bill in this Committee.

“We have an opportunity now to build on that effort and create a broader coalition of Republicans and Democrats to pass a bill into law.

“I look forward to working with the other members of this Committee, and our witnesses today, throughout this process.”

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