**Crapo Statement at Small Lender Housing 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 remarks during a full committee hearing entitled “Housing Finance Reform: Maintaining Access for Small Lenders.”

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

“Today, the Committee will continue its series of hearings on housing finance reform.

“In May, Treasury Secretary Mnuchin and FHFA Director Watt both appeared before the Committee and gave their perspectives on the state of the housing finance system and housing finance reform.

“In June, we held a hearing on principles of housing finance system featuring three witnesses, each with a deep background in housing finance.

“Today, we will hear from a range of small lenders, representing community banks, credit unions and non-depositories.

“Small lenders play a critical role in the mortgage market.

“This is especially true in rural states like Idaho, as well as other communities across the country.

“Small lenders are often fixtures in their communities who extend credit based on local knowledge and expertise.

“As we contemplate how to reform the housing finance system, we must understand how small lenders access the secondary market, and ensure that such access is preserved in the new system.

“Today, small lenders often sell mortgage loans to Fannie Mae and Freddie Mac through the cash window at each enterprise, which allows lenders to exchange individual loans for cash.

“Among the benefits of the cash window is that it allows small lenders to access the secondary market without selling loans to competitors.

“I look forward to hearing more from our witnesses today regarding what a reformed system must include to ensure small lenders can access the secondary market.

“In past hearings on housing, I have discussed housing finance reform principles that I believe share bipartisan support.

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

“We must have multiple levels of taxpayer protection standing in front of any government guarantee, including down payments, loan-level insurance, and – very importantly – substantial, robust, loss-absorbing private capital.

“The transition to a new system must be orderly and deliberate, and it should utilize existing market infrastructure where possible.

“These are foundational principles that are consistent with many of the reform plans that have been proposed in recent years.

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

“While some have grown accustomed to the current system, the status quo is not sustainable.

“A mortgage market dominated by two huge government-sponsored companies in conservatorship is not a long-term solution, and is not in the best interest of consumers, taxpayers, lenders, investors or the broader economy.

“The GSEs are currently earning profits, but taxpayers could again be on the hook for billions of dollars when the housing market experiences its next downturn.

“Reform is urgently needed.

“I look forward to working with other members of this Committee, and the witnesses today and the groups they represent, as we develop a long-term solution for our housing finance system.”

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