

Opening Statement of Ranking Member Sherrod Brown
Hearing on: “Should Fannie Mae and Freddie Mac be Designated as Systemically Important
Financial Institutions?”
June 25, 2019

Thank you, Mr. Chairman, for holding this hearing and thank you to our witnesses for being here today.

Home is at the center of everything we do. Whether you rent it or own it, home is where you raise your kids, throw birthday parties, do homework, and relax after a hard day’s work. It also determines so much else about your life – what school your kids go to, how long it takes to get to work, your access to parks and community resources, whether you’re exposed to lead in your walls or in your drinking water.

For many Americans owning a home is so essential that it’s become synonymous with the American Dream.

But rent and housing costs are rising faster than wages. More than a quarter of renters spend over half their income on housing, and it’s getting harder for working families to make that dream a reality.

Without the stability and affordability of a long-term, fixed-rate mortgage, far fewer families would have a home of their own.

That’s why Congress chartered Fannie Mae more than 80 years ago at the height of the Great Depression – to make homeownership more accessible and affordable for all American families.

And that’s why Congress reaffirmed Fannie and Freddie’s public purpose in 2008 with the Housing and Economic Recovery Act. In addition to enhancing accountability, that law strengthened Fannie and Freddie’s affordable housing missions and duty to serve communities that haven’t been given a fair shot. People of color were systematically excluded from sharing in this country’s housing wealth for most of our history, and we know Americans of many backgrounds still face housing discrimination. Congress made clear that Fannie and Freddie must address inequities in our housing finance markets.

Today’s hearing asks whether Fannie Mae and Freddie Mac should be systemically important financial institutions.

They play an important role in the economy today. I don’t think there’s a single person in this room who would disagree with that.

Last year, Fannie Mae and Freddie Mac helped more than three million families buy or refinance their homes, and made it possible for another 1.5 million to find an apartment, including nearly 900,000 low- and very-low income renters.

But before we decide how to regulate these important institutions, we should answer a fundamental question: which Fannie and Freddie are we talking about?

Are we talking about the Fannie Mae and Freddie Mac of the early 2000s, which, under a weak regulator, had spent years focusing too much on making profits for shareholders and too little on stable homeownership for hardworking families?

Are we talking about the Fannie Mae and Freddie Mac of today, which are managed by a strong Federal regulator and pay all but a modest capital buffer back to taxpayers?

Or are we talking about the reformed entities Congress may create for the future, which will have to continue Fannie and Freddie's role addressing the affordable housing crisis we face across the country?

This Committee held two hearings in March where we heard from small lenders, consumer groups, the civil rights community, lenders, builders, and Realtors. We also received written statements from other critical participants in the housing system.

Across those two days, we heard many of these folks coalescing around a few foundational principles for reform. They told us that any reform should:

- Protect access to affordable 30-year fixed rate mortgages;
- Provide a catastrophic government guarantee;
- Structure loan guarantors like public utilities, providing a regulated rate of return;
- Serve a broad, national market;
- Serve lenders of all types and sizes equitably;
- Maintain a duty to serve all markets and all borrowers;
- Maintain affordable housing goals and metrics;
- Expand investment in affordable housing; and
- Maintain the GSEs' successful multifamily business models and ensure continued or better access for financing of affordable rental housing.

This would reorient Fannie and Freddie to serve the housing needs of families in Cleveland and Boise, rather than maximize profits.

It would also require a different type of oversight than we have for the megabanks and shadow banks that poisoned the mortgage market and infected our economy. Different than we have for financial interests that are obsessed with stock buybacks and that believe they have no obligation to serve the nation that bailed them out.

No matter how much money you make or what state you live in, housing is essential – and that means our housing market and the entities that make it work are essential. We need a housing system that's built to last, so that it can continue to serve all families across the country in good times and bad.

Thank you, Mr. Chairman.