

# **America's Community Bankers Views on H. R. 3703**

## ***Executive Summary***

The GSEs have been, and continue to be, an important part of the housing finance system. ACB supports the role Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (FHLBanks) have played in funding residential mortgages. ACB also supports a public policy review of Fannie Mae and Freddie Mac's current and future activities. ACB generally recommends to Congress that:

- Any legislative proposal should effectively authorize and require the regulators of the GSEs to engage in appropriate mission and safety and soundness supervision;
- GSE program review should ensure that new or expanded activities are based on mission fulfillment and do not subsume or discourage competition between current private-sector participants; and
- Regulation of the FHLBank System should not be consolidated with that of Fannie Mae and Freddie Mac. The FHLBank System is a cooperative system, while Fannie Mae and Freddie Mac are publicly traded companies requiring separate and different regulation.

### ACB Specifically Supports:

- Consolidation of mission and safety-and-soundness regulation into a single regulator;
- Requiring new or modified program review and approval;
- A clear definition Fannie Mae and Freddie Mac's mission;
- Risk based capital standards based on the specific characteristics of the GSEs; and
- Adoption of regulations affording private label AAA rated MBS the same treatment as similar securities issued by GSEs.

### ACB Specifically Opposes:

- Consolidating FHLBank System regulation with Fannie Mae and Freddie Mac regulation;
- Repeal of the Treasury lines of credit; and
- Elimination of the FHLBanks' super-lien authority.

ACB believes that H.R. 3703 is an important and timely legislative initiative, and raises public policy issues that must be addressed. The size and scope of the GSEs raise fundamental questions, both for the structure of housing finance in America and for the safety of the marketplace. The consumer deserves competitive opportunities in a secure marketplace, and the taxpayer demands that risks to the government be managed and minimized.