

**Opening Statement**  
**Rep. Ed Royce (CA-40)**  
**"The Administration Perspective on GSE Regulatory Reform"**  
**13 April 2005**

Mr. Chairman, thank you for holding this hearing on "The Administration Perspective on GSE Regulatory Reform." I would also like to thank Secretaries Snow and Jackson for being here today and for their very able service to our country.

Mr. Chairman, I would like to commend you and Chairman Baker for your efforts in crafting legislation to reform oversight of the three housing Government Sponsored Enterprises. I continue to support the creation of a single new regulator with the authority to set minimum and risk-based capital standards, to place a troubled entity into receivership, to review product approval and mission, and to be independently funded outside of the appropriations process. I was pleased to see that the H.R. 1461, the Federal Housing Finance Reform Act, contains all of the aforementioned components.

Since the introduction of the H.R. 1461, Federal Reserve Chairman Greenspan and Treasury Secretary Snow have both testified to the Senate Banking Committee that any new legislation should place limits on the portfolio holdings of Fannie Mae and Freddie Mac. In Chairman Greenspan's remarks he said that the Federal Reserve is concerned that the large concentration of mortgage assets in the two enterprises puts the safety and soundness of the entire financial system in jeopardy. In fact, in all of my years in Washington this is the strongest and most stern warning I can recall coming from Chairman Greenspan:

"to fend off possible future systemic difficulties, which we [*the Federal Reserve*] assess as likely if GSE expansion continues unabated, preventive actions are required sooner rather than later."<sup>1</sup>

In light of the Federal Reserve's warning, Mr. Chairman, I would respectfully request that this committee hold a hearing on the risks associated with Fannie and Freddie holding large quantities of mortgage assets on their balance sheets before we mark up legislation. Such a hearing would allow this committee to understand more fully the concerns expressed by the Fed Chairman and Secretary Snow. Again, Chairman Oxley thank you for holding this hearing. I yield back.

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<sup>1</sup> Testimony of Chairman Alan Greenspan: Senate Banking Committee (4/6/05)