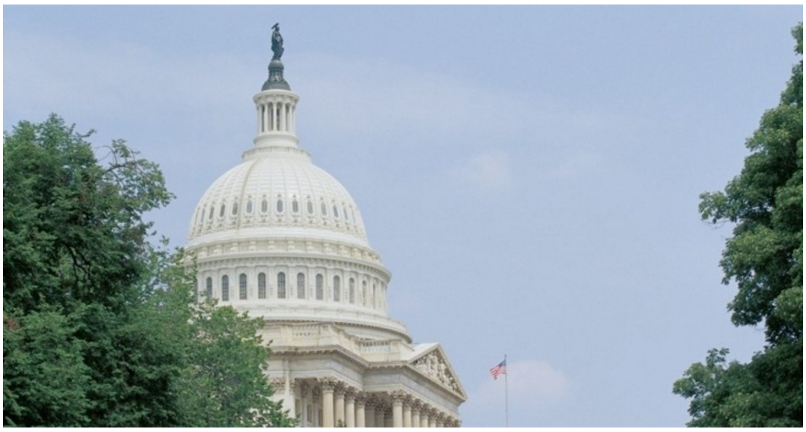
House to Consider Bill Targeting Fannie and Freddie



Republicans in the House of Representatives have added another bill to this week's legislative agenda, which is already cumbersome. The bill, entitled the Market Transparency and Taxpayer Protection Act, would force government-sponsored enterprises Fannie Mae and Freddie Mac to close their non-critical assets. The bill is intended to reduce the size of the two mortgage companies.

Introduced by Representative Robert Hurt (R-Va.), H.R. 2440 would require Fannie Mae and Freddie Mac to sell their "non-mission critical" assets, which include patents and historical mortgage data. Hurt explained that the purpose of the requirement found within the bill is to force Fannie and Freddie to loosen their grip on the mortgage industry, particularly since taxpayers have been forced to finance the two companies since 2008.

Hurt introduced the bill last year as a member of the House Committee on Financial Services. Rep. Spencer Bachus (R-Ala.), chairman of the Financial Services Committee, and Rep. Scott Garrett (R-N.J.), chairman of the Capital Markets and Government Sponsored Enterprises Subcommittee, are co-sponsors of H.R. 2440.

"By enhancing transparency, accountability, and oversight, this bill is another step in our continued efforts to effectively reform Fannie Mae and Freddie Mac and put an end to their near-limitless bailouts in order to protect American taxpayers at a time when they need it most," Hurt stated in a release last year when the bill was first introduced.

"With more than $150 billion in taxpayer funds already spent propping up Fannie and Freddie and hundreds of billions more a possibility, it is critical that we begin the process of winding down these Government Sponsored Enterprises and increasing the role of the private sector in the secondary mortgage market to strengthen our housing finance system," he added.

"GSE reform affects taxpayers in the 5th District and across the nation, and as we seek to restore stability to the marketplace and get our economy back on track, I look forward to working with my colleagues on the Financial Services Committee as this bill moves through the legislative process," Hurt said.

Fannie Mae and Freddie Mac were primary facilitators of the mortgage troubles in the United States. *The Hill* reports:

> Fannie and Freddie guarantee more than half of U.S. home loans and were put into conservatorship in September 2008, which put them under the control of the Federal Housing Finance Agency. According to the Congressional Research Service, that means taxpayers are standing behind roughly $5 trillion of debt held by the two GSEs.

Many blamed Fannie and Freddie's ability to repackage billions in mortgage loans as mortgage-backed securities as a key factor that led to home-price increases and the resulting housing bubble.

The risky mortgages acquired during the real estate bubble ultimately destroyed the finance companies, which required the rescue efforts of the federal government.

Economic expert Peter Schiff said of the GSEs, "Without the Fannie Mae and Freddie Mac guarantees and without the low interest rate there never would have been a housing bubble."

Thus far, the two government-sponsored enterprises have received more than $100 billion from the government in relief funds, and Fannie Mae has asked for an additional $2.6 billion from the Treasury Department. Freddie Mac has requested $500 million.

What's more, *Politico* notes that Fannie and Freddie managed to fend off scandal and crisis in 2008 by spending nearly $200 million on lobbying and campaign contributions:

> They've stacked their payrolls with top Washington power brokers of all political stripes, including Republican John McCain's presidential campaign manager, Rick Davis; Democrat Barack Obama's original vice presidential vetter, Jim Johnson; and scores of others now working for the two rivals for the White House.

Meanwhile, the portfolios of both Fannie and Freddie have improved significantly since their bailouts, and the companies are beginning to turn large profits. Fannie Mae had a profit of $7.8 billion in the first half of 2012, and Freddie Mac had a profit of $3.6 billion during the same period.

The significant profits prompted an August announcement from the Treasury Department on stricter provisions for Fannie and Freddie in an effort to salvage taxpayer dollars as quickly as possible. *The Daily Beast* writes:

> The new terms of federal support for Fannie and Freddie alter the four-year old bailout by requiring the companies to reduce their gargantuan portfolio of mortgages at a faster pace and to hand over all their profits to the taxpayer. The second provision is designed to end the backwards-seeming process that sometimes required the companies to take money from the government in order to pay the mandatory 10 percent dividend on the preferred shares that the Treasury purchased as part of the bailout in 2008.

One reason Treasury gave for this change is so that Fannie and Freddie "will be wound down and will not be allowed to retain profits, rebuild capital, and return to the market in their prior form."

The House is expected to vote on Hurt's bill by the end of the week, which marks the final days that the House will be in session before the presidential election in November. The bill is in addition to more than two dozen bills that Congress hopes to approve before break.

Other bills the House is planning to work on include the Global Investment in American Jobs Act, the FEMA Reauthorization Act, the Cutting Federal Unnecessary and Expensive Leasing Act, a bill to loosen environmental regulations on coal production, and a bill to provide visas for foreign nationals who earn advanced degrees in science, technology, engineering, or math.

Meanwhile, the Senate's busy schedule includes a vote on a six-month spending resolution passed in the House on September 13.

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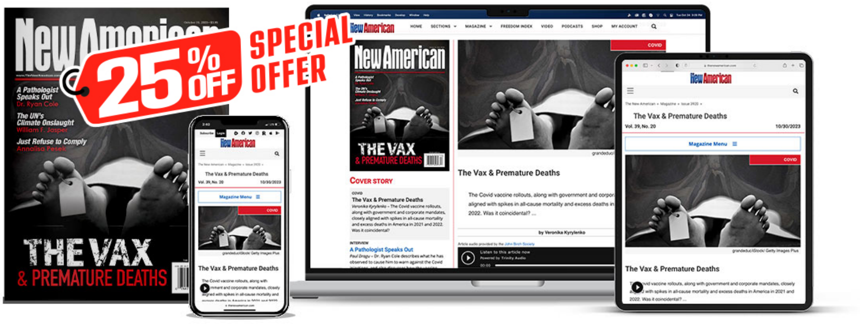

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