

May 23, 2005

The Honorable Michael Oxley
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Richard H. Baker
Chairman
Subcommittee on Capital Markets
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Oxley and Chairman Baker:

We are writing to thank you for your efforts in drafting H.R. 1461, the Federal Housing Finance Reform Act of 2005. As pro-free market Members of Congress, we recognize the need for the creation of a strong and independent regulator for the housing government-sponsored enterprises - Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

As you are well aware, both Fannie Mae and Freddie Mac were chartered by Congress to create and maintain a secondary mortgage market in the United States. To meet this responsibility, these institutions were granted many government-issued benefits not enjoyed by their private sector competitors, including a \$2.25 billion line of credit with the U.S. Treasury and an exemption from state and local taxes. H.R. 1461 takes many necessary steps to ensure that these institutions remain focused on their core mission and do not leverage their government benefits to enter into areas of business outside of this mission. To that end, we are pleased with the attention you have given in H.R. 1461 to ensuring that the regulator will have the ability to review and approve new programs and activities (section 122).

While we strongly support section 122 of H.R. 1461, we also believe that these provisions could be strengthened and improved to ensure that Fannie Mae and Freddie Mac do not continue to enter into business activities that are clearly outside of their charter and beyond the purposes intended by Congress. Further, we will vigorously oppose any and all efforts to weaken the ability of the new regulator to approve new programs and activities for the housing GSEs.

The recent accounting scandals at Fannie Mae and Freddie Mac have served as a wake up call to Congress that we can no longer allow these massive taxpayer-backed enterprises to operate without proper regulatory authority. Your leadership on this issue is greatly appreciated.

Again, we thank you for your work on this issue of critical importance to our capital markets and taxpayers alike, and we look forward to working with you in the weeks ahead.

Yours respectfully,

JEB HENSARLING

SCOTT GARRETT

ED ROYCE

PAUL RYAN

PHIL GINGREY

JOHN SHADEGG

STEVE KING

JOHN HOSTETTLER

MIKE PENCE

VIRGINIA FOXX

SAM JOHNSON

