

United States House of Representatives
Committee on Financial Services
Washington, DC 20515

August 19, 2010

The Honorable Barney Frank
Chairman, Financial Services Committee
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

Your recent comments on reforming the Government Sponsored Enterprises seem to indicate a change of emphasis, which is why we write in the hope that you will clarify your remarks in advance of the hearings on the state of housing finance that you have scheduled for this fall.

On August 16th, the *New York Times* quoted you as saying that “there is no urgency” to reform Fannie and Freddie, and that “[w]e’ve already abolished Fannie and Freddie... [y]es, we waited too long to fix it. But the money is not being lost by anything they are doing now.” The next day, in an interview on Fox Business, you stated that Fannie Mae and Freddie Mac “should be abolished” and that the federal government should not serve as a “backstop” in guaranteeing mortgages.

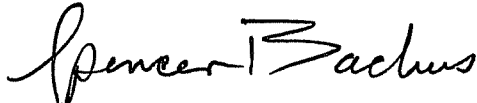
Given these comments, we are interested to hear your further thoughts on how to end taxpayer support for these companies. To the extent that your comments suggest a willingness to consider models for housing finance in which the government does not manipulate the market and taxpayers do not subsidize losses that should be borne by private lenders, borrowers, and investors, we would ask you to consider proposals that we have previously advanced that would achieve these objectives:

Indeed, one way to move forward in developing consensus on GSE reform would be to hold a legislative hearing on H.R. 4889, “The GSE Bailout Elimination and Taxpayer Protection Act,” introduced by Rep. Hensarling, which phases out taxpayer subsidies of Fannie Mae and Freddie Mac over a number of years and ends the current model of privatized profits and socialized losses. Rep. Hensarling’s bill currently has 21 co-sponsors and has been referred to our committee. Scheduling this hearing would help move the GSE reform debate from the realm of staged media events and theoretical concepts and toward consideration of specific legislative solutions for a problem that is too urgent to defer until next year.

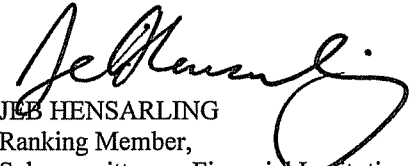
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Thank you for your consideration of this request, and we look forward to your reply.

Sincerely,



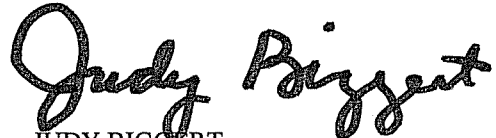
SPENCER BACHUS
Ranking Member



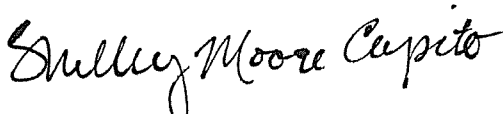
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Ranking Member,
Subcommittee on Financial Institutions
and Consumer Credit



SCOTT GARRETT
Ranking Member,
Subcommittee on Capital Markets,
Insurance and Government
Sponsored Enterprises



JUDY BIGGERT
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