

## 3-11-10, Bachus Urges Senate To Address Fannie, Freddie Failures In Financial Regulatory Reform Legislation

March 11, 2010

WASHINGTON - Financial Services Committee Ranking Member Spencer Bachus today called on the Senate to address the future of the Government Sponsored Enterprises (GSEs) as Senate Banking Committee Chairman Chris Dodd announced the failure to reach agreement on a bi-partisan financial regulatory restructuring bill in the Senate.

"Fannie Mae and Freddie Mac were at the center of the mortgage market meltdown that caused the financial crisis," Bachus said. "Financial regulatory reform legislation will not have any meaningful impact on ending taxpayer bailouts if the cost of operating the GSEs is allowed to continue to rise and the level of taxpayer support is allowed to grow."

H.R. 4173, the so-called "Wall Street Reform and Consumer Protection Act" that narrowly passed the House of Representatives on December 11, 2009, failed to include a single provision to address the status of the two companies. In addition, the Administration failed to comply with its own commitment to develop recommendations on the future of Fannie Mae and Freddie Mac as part of the President's 2011 Budget release.

"The Democrats' strategy is to essentially ignore the problem and hide the cost," Bachus said. "The longer we wait, the more it is going to cost the American taxpayer."

"It has been three months since the Administration gave Fannie Mae and Freddie Mac a blank check of unlimited taxpayer funds to cover losses they have incurred as a result of their reckless behavior. Taxpayers have already contributed more than \$127 billion to the bailout and they are on the hook for hundreds of billions more. Taxpayers now own at least 80 percent of the two enterprises, and have explicitly guaranteed \$1.7 trillion of their debt and over \$5 trillion in mortgages they have purchased."

Bachus is the sponsor of a comprehensive financial regulatory reform bill that phases out taxpayer subsidies of Fannie Mae and Freddie Mac and ends the current model of privatized profits and socialized losses. It sunsets the current GSE conservatorship by a date certain, and places Fannie Mae and Freddie Mac in receivership if they are not financially viable at that time. If they are viable, once the housing market has stabilized, the plan would initiate the process of cutting their ties to the government by winding down the federal subsidies granted through their charters and transitioning Fannie and Freddie into non-government backed entities that compete on a level playing field with other private firms.

"Americans deserve an immediate exit strategy," Bachus said. "If the Administration is unwilling to provide one, Congress must move forward on its own to protect taxpayers and effectively address the biggest systemic risk to the financial markets and the economy."

###