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Opening Statement Rep. Elijah E. Cummings, Ranking Member

Hearing on “Pay for Performance and Executive Compensation at Fannie Mae and Freddie Mac”

November 16, 2011

Thank you, Mr. Chairman, for calling today’s hearing. Thank you also for agreeing to my request to invite Mr. DeMarco. Mr. DeMarco and I have been engaged in a series of high-level meetings over the past several months. Some of these meetings have been heated, but others have been very constructive. I appreciate his willingness to appear before us today, and I look forward to continuing our discussions.

Executive compensation is a worthwhile topic for this Committee to address. In my opinion, we should examine not only the compensation of executives at Fannie Mae and Freddie Mac, but also at Wall Street firms that put the short-term financial interests of their executives ahead of the long-term interests of company shareholders and the public.

In reviewing the compensation packages of Fannie and Freddie executives, we will have tough questions for our witnesses about how they can claim credit—and receive bonuses—for achieving performance goals they had nothing to do with, such as supposedly increasing “affordability” in a housing market that has been tanking for several years.

More importantly, we will examine why FHFA, Fannie Mae, and Freddie Mac have done so little to fulfill the key goal of assisting homeowners in need. In 2008, Congress passed the Emergency Economic Stabilization Act, and the President signed it on October 3, 2008. The Act states clearly that, among other objectives, FHFA, Fannie Mae, and Freddie Mac “shall implement a plan that seeks to maximize assistance for homeowners.”

Chairman Issa and I do not agree on much, but we do agree that, to date, efforts to assist homeowners have been woefully inadequate.

The Home Affordable Modification Program (HAMP) was supposed to help up to 4 million homeowners modify their loans, but to date it has helped fewer than 800,000. The Home Affordable Refinance Program (HARP) was supposed to help up to 5 million borrowers refinance at lower rates, but fewer than 900,000 have refinanced to date.

Where Chairman Issa and I part ways, however, is in how we respond to this problem. The Chairman, other House Republicans, and even Republican Presidential candidates believe we should stop assisting homeowners, abandon efforts to address the housing crisis, and allow millions of additional foreclosures so we can simply hit bottom.

I come from a fundamentally different place. I believe we must re-double our efforts. We need to buckle down and do the hard work necessary to develop solutions that will address this crisis effectively, comprehensively, and definitively.

It is too easy to throw up our hands and blame this entire crisis on individual homeowners who took out loans they could not afford. Those individuals are certainly out there, but there are many more who did absolutely nothing wrong. They paid their mortgages faithfully every month, but now they are underwater through no fault of their own. They owe more than their houses are worth, they cannot sell their homes, and they cannot move to a new city for a new job. They are in limbo, along with our entire economy.

The foreclosure crisis does not affect only the individuals foreclosed on. It reduces the value of homes across entire neighborhoods. It lowers tax revenues for whole municipalities, resulting in the loss of more jobs. It degrades multiple levels of commerce across the country. And it affects each and every one of us, whether we want to admit it or not.

Addressing the housing crisis is the key to our economic recovery as a nation. Mark Zandi, the Chief Economist at Moody's Analytics, agrees. He has stated that housing is "ground zero for the economy's problems, high unemployment, and lost jobs."

As Federal Reserve Chairman Ben Bernanke recently testified, it will be "almost impossible to resolve our economic situation when people are losing their houses at the rate they are losing them."

Mr. Chairman, let me conclude by returning to the subject of today's hearing. In 2008, Congress and the President passed a law directing FHFA, Fannie Mae, and Freddie Mac to "maximize assistance for homeowners." This has not happened. And nobody should be receiving million-dollar bonuses by claiming it has.

Thank you.

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