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Statement of Rep. Gary Miller Regarding Chairman Hensarling's Proposal to Reform the Housing Finance System

Rancho Cucamonga, CA – Today, House Financial Services Committee Vice Chairman Gary Miller (CA-31) released the following statement regarding the release of a discussion draft by Committee Chairman Hensarling to address the future of the U.S. housing finance system:

“I am pleased that the Committee will finally move to consideration of a path forward for housing finance reform, and I am in the process of reviewing the Chairman’s initial draft.

It is in the 31st Congressional District of California, of which I am honored to represent, that the worst effects of the economic downturn took place. My friends, neighbors, and constituents here in San Bernardino County know all too well the sacrifice and suffering that has gripped our nation over the past five years as the housing markets came to a screeching halt.

As the legislative process moves forward, I will work with the Chairman and members of the Committee to ensure that the Committee’s final product is a viable solution to ending Fannie Mae and Freddie Mac and replacing their functions with a system that ensures a stable and healthy housing market.

The hybrid, public-private model for Fannie Mae and Freddie Mac was fundamentally flawed and is irreparably broken, but we still need a viable secondary mortgage market, with sound underwriting principles.

While the major problems with Fannie Mae and Freddie Mac have made it clear that we must find a new way forward, the fact remains that what we replace them with must capture the important functions they have performed in the market.

We cannot just eliminate Fannie and Freddie with no viable alternative – the alternative must be workable, which includes being an attractive option for investors to purchase mortgage backed securities and consumers seeking to purchase a home. If not done correctly, we will be faced with a massive liquidity crunch and contribute to further housing sector instability at taxpayer expense.

As the epicenter of the housing downturn, the people of my district have experienced the result of a failed mortgage finance system, where private-label exotic mortgages were the norm. We cannot move backward to this time, or take the rest of the country down the path that was so harmful to my constituents. Throughout this process I will fight to ensure the reforms we make will protect the American Dream for my constituents and our nation's families.

The final bill must contain a structure that ensures that taxpayers are protected in the future from costly bailouts. If we stay silent on this critical point, while creating a system that is "too big to fail," we will leave the taxpayers more vulnerable than they were in the last crisis. And if we create a system that fails, the government will have no choice but to intervene. Therefore, our focus must be on the true functionality of the new system we design, based in fact and not theory.

It is my hope that we can get past the ideological discussions of the past and actually make needed changes to the U.S. mortgage finance system. The housing market is critical to the economy and we must not contribute to uncertainty in the housing marketplace by debating unrealistic policy approaches that only lead to stalemate on reform.

The American people deserve a solution, not more empty political rhetoric. I am excited to work with the Chairman and members of the Committee to produce a mortgage finance reform package that is workable, does not disrupt the fragile housing market, and does not unnecessarily limit homeownership opportunities for families in search of a stable and suitable home to raise their children."

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