

AMERICAN BANKER

On Focus and In Depth

Republican GSE Bills Beginning to Pile Up

American Banker | Monday, May 16, 2011

By [Donna Borak](#)

WASHINGTON — While President Obama is still seeking a comprehensive plan to dismantle the government-sponsored enterprises, House Republicans are pursuing an alternate route to that goal, introducing a series of bills designed to tackle the issue in a piecemeal fashion.

On Friday, House GOP lawmakers unveiled seven more bills on the topic, bringing the total to 15, covering everything from the GSEs' legal expenses to a cap on their liabilities and subjecting them to the Freedom of Information Act.

Rep. Scott Garrett of New Jersey, the chairman of the House subcommittee with oversight of Fannie Mae and Freddie Mac, said such proposals would help to restore private enterprise to the mortgage market.

"There's no perfect solution to any of this," Garrett told reporters at a briefing. "We can do it so at the end of the day we have all these pieces — all these elements — to move to the effect, or the pressure, of actually winding down" Fannie and Freddie.

Such an "incremental approach" is the appropriate way to craft public policy, said Rep. Don Manzullo of Illinois. The GOP is expected to put forth another batch of bills at a later date.

"There are a lot of people with a lot of wisdom that can make comments on these individual pieces of legislation," Manzullo said. "It draws from the financial community the criticism, the support, the suggestions, which go to making good public policy."

Republicans have been criticized by their counterparts, especially Rep. Barney Frank, D-Mass., the lead Democrat on the House Financial Services Committee, for failing to act this year on a bill they have touted since 2010 that would phase out Fannie and Freddie within five years. (Frank does not support the bill, but has noted Republicans seemed more sure of their cause when they were not in power).

But Garrett said it was important to act thoughtfully in order to avoid unintended harm to the mortgage market.

"There are a myriad of issues that need to be considered and reconciled so that we don't have a situation where we have unintended consequences," Garrett said.

For example, in the case of one bill unveiled by Rep. Robert Hurt, R-Va., which calls for the disposal of all non-mission-critical assets of Fannie and Freddie, there are still a number of questions that need to be addressed, Garrett said.

"It's better that we're having this discussion here ... so that we have that understanding as opposed to we get to a point in time with whatever the final disposition of this is, and you realize one of two things have happened: Either what you continuously spent and put taxpayer money out the door without considering this; or you took some other action that raises these exact same issues that you probably weren't thinking of," Garrett said.

Offering further details on the latest group of bills, Garrett said, they would "dovetail in the same framework as with the last eight."

The first hearing on the bills is expected to come later this month, followed by a subcommittee vote in June.

While the goal is to take steps to successfully wind down Fannie and Freddie, the bills also addressed efforts to limit further taxpayer costs.

One bill by Manzullo would prevent the Treasury Department from lowering the 10% dividend that Fannie and Freddie are required to pay taxpayers to ensure the two companies continue to repay on their public debt.

Two other pieces of legislation would cap Fannie's and Freddie's liabilities to limit the amount of money taxpayers would have to spend on bailing out the GSEs along with another to shield taxpayers from the growing legal expenses of the two companies.

Another bill could offer even further taxpayer protection by amending the Housing and Economic Recovery Act to ensure that if the

GSEs are put into receivership, their business would be wound down and no new entity with taxpayer backing would be set up.

Given the GSEs' status in conservatorship, lawmakers also introduced several bills that would rescind some of the benefits that Fannie and Freddie received as private entities with shareholders.

One of them, which was offered by Garrett, would halt the two companies from sending a portion of their revenue to an affordable housing fund.

Thus far, the administration hasn't endorsed any of the bills produced by the committee, but Garrett says that both sides appear to be on the "same page."

Outside accounts said there is merit to the approach Republicans have taken on the controversial issue.

With up and down votes on several different bills, lawmakers will get to see what issues will fly and which ones won't before any permanent decisions are made, or risk a failed bill.

"With the GSE situation right now, there's no real core, so people are trying out various ideas, and then it's a matter of what sticks to the wall will get stuck into a comprehensive bill," said Bert Ely, an independent consultant based in Alexandria, Va. "My guess is that what would come to the House floor would be a battle-tested bill."

Judy Kennedy, the president and chief executive of the National Association of Affordable Housing Lenders, agreed.

"This is very characteristic of the Republicans on housing issues," Kennedy said. "They are wise to slow things down and give people a chance to look at the facts."

Even if you put aside the benefit of a well-vetted bill, there is also the stark reality that with a coming presidential election and an uphill battle in the Senate, any effort to pass comprehensive reform in the House is a long shot.

"All this legislation is about establishing a record to justify broader reforms when the Republicans control the Senate in 2013," said Jaret Seiberg, an analyst with MF Global Inc.'s Washington Research Group. "It's going to be very difficult over the next 18 months to get even a benign housing finance measure enacted. It's just too controversial. So, this is about looking toward the future."

Steve Blumenthal, a former deputy director at the Office of Federal Housing Enterprise Oversight, and now an attorney at Williams & Jensen PLLC, said it would be unlikely to get a bill all the way through the process.

"There's very little incentive for the Senate Democrats to compromise with the House Republicans; or for the Senate Republicans with the House Democrats," Blumenthal said. "The Senate Republicans can assume that they are going to be the majority after 2012. The Senate Democrats will be in no worse position after the election even if they're in the minority. Consequently because the way the House works, the Republicans can push anything they want through it and it's going to die in the Senate."

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