

be for this much more significant impact on the profitability, and the economics are the same.

The argument is no direct pass-through here. The argument is that if you impinge on that profitability, they will raise their prices. First of all, the answer is, of course, they wish. They wish they had that kind of pricing power. I don't think they do.

To the extent that there is some impact, it will be far more greatly achieved if the amendment were to be adopted by the gentleman from New Jersey and other efforts to restrict the portfolio.

The gentleman from Alabama also said we have all these other housing programs. No. We do not have enough programs currently being funded that build affordable housing for families. We have 202 for the elderly. We have 811 for the disabled, both of which the administration has tried to cut back.

We are not building public housing. We have the voucher program. The voucher program, on an annual basis, adds to the demand for housing in a way that does not increase supply. There is not now a generally funded affordable housing construction program for families, for working people.

So the notion, and I would challenge Members who say there is duplication, show me which program this duplicates. It doesn't restrict it to the elderly and the disabled. It is a general family affordable housing program. That's what we think we should get into. It does it without taking money from the general Treasury. It pays for itself.

Finally, people have said, well, how is it going to be spent? We made this point very clear.

In the first year, it will go to Mississippi and Louisiana State authorities. Subsequently, none of it will be spent until a second bill passes this House and the Senate, and we will collectively decide how to spend it. I know there are people who think the Federal Government should provide affordable housing. That's the only argument for this amendment.

Mr. PRICE of Georgia. Mr. Chairman, I move to strike the requisite number of words, and I yield to my good friend from Alabama.

Mr. BACHUS. I thank the gentleman from Georgia and I thank the chairman.

I would like to briefly respond to two things that the chairman said. But before I do, I would like to acknowledge and thank the chairman. He said, in voting against this bill 2 years ago, I was not promoting and voting for it, I was not promoting socialism. Let me also acknowledge that 2 years ago, when the chairman voted for this bill, he was not opposing socialism. So, I think we both acknowledge that I was not promoting socialism, and you certainly weren't opposing socialism, nor are you today.

Now, the chairman has said that this isn't going to cost anything. It's out of the profits. It's not going to come from

homeowners, it's not going to come from Fannie Mae, it's not going to come from Freddie Mac.

Mr. FRANK of Massachusetts. Would the gentleman yield?

Mr. BACHUS. Yes.

Mr. FRANK of Massachusetts. I said it would come from the shareholders. I didn't say it wouldn't come from Fannie Mae or Freddie Mac.

Mr. BACHUS. Oh, it would come from shareholders.

Mr. FRANK of Massachusetts. Yes.

Mr. PRICE of Georgia. Reclaiming my time.

I yield to the gentleman from Alabama.

Mr. BACHUS. Let me say this, the shareholders, that's the profits of the company, and the profits have to be generated somewhere. This idea that it doesn't cost anybody anything, and there is not a cost to the customers of the corporations, who are homeowners, it would be, indeed, a historic moment in this body if we passed legislation that cost billions of dollars, but it didn't cost anybody anything.

□ 1730

It would probably be the first time in the history of this universe. And if it does happen, we should pause, because we will have figured out basically how to defy the principles of mathematics and economics.

Third, the chairman mentioned Katrina, and I mentioned Katrina earlier in this debate, and let me point out, and I think this is probably conclusive evidence of why we do not need to pass a \$3 billion additional housing fund.

The chairman correctly said that we passed this bill before, and I voted for it and it had money in there for Katrina. Well, this bill creates \$3 billion, much of which will go to Katrina. Well, it was only 2 months ago that we appropriated \$3 billion for Katrina. That is the \$3 billion that we voted for; and there is no reason to pass legislation, which actually passed this body, went to the President and passed appropriating \$3 billion, and here we come appropriating another \$3 billion.

So I will continue to say we determined we needed \$3 billion when I voted for this bill before, and I stand by that. We didn't need \$6 billion, we needed \$3 billion. That is why we voted for \$3 billion. That is why 2 months ago we said this is what it will cost.

PARLIAMENTARY INQUIRY

Mr. FRANK of Massachusetts. Mr. Chairman, parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. FRANK of Massachusetts. Do we not go back and forth between the parties in recognition?

The CHAIRMAN. The Chair accords priority to members of the committee.

Mr. FRANK of Massachusetts. Without regard to party? The gentleman from Colorado is a member of the committee.

The CHAIRMAN. The Chairman did not see the gentleman from Colorado standing at the time he recognized the gentlewoman from Illinois.

The Chair will go to the gentlewoman from Illinois, and that will be followed by the gentleman from Colorado. So there is an understanding, the Chair intends to recognize members of the committee first in the order in which they are standing, regardless of which side of the aisle they may come from.

Mrs. BIGGERT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to support the amendment to strike the Affordable Housing Fund.

I think the reason that we are having so much trouble talking about this, I know that in our March 15 hearing we urged the chairman if we could spend some time working this out prior to coming to the floor, and obviously that hasn't happened. But I think, because of all the questions, because we haven't had a hearing on this and we don't know what the national fund is; and he keeps saying we have got an Affordable Housing Fund now.

It is estimated by CBO that it is going to be \$3 billion over a 5-year period. If that is 1.2 basis points, then it will be the \$3 billion. But there is still no dollar limit as to how large the fund can become. Where will the money for the fund ultimately come from? We don't know, talking about is it going to be from lower and middle Americans, or is it going to be from shareholders?

But I think these are all things that need to be considered before we have the fund. And I know it is, "Trust me. We are going to have a national fund and we will figure out how it is going to work." But I think that, in this day and age, that we really need to give the regulator some idea of what their job is.

I agree with so much of this bill. I think it is a shame. I voted for the bill last time, and I was very proud to do that. A lot of people didn't vote for the bill. And suddenly, most of the bill that was in that bill is now in this bill.

But unlike last year's legislation, I think this bill has included in this provision that doesn't permit the regulator to focus on the very important duties in this bill, and rather to have this Affordable Housing Trust Fund I think it is too bad. The new regulator has the duty to write those regulations and then administer an Affordable Housing Grant Fund program from day one, when we don't know what this national trust fund is going to end up being. I don't think that this is an appropriate time to do it.

So I urge that we would strike the Affordable Housing Trust Fund from this bill, and would urge support of that amendment.

Mr. PERLMUTTER. Mr. Chairman, I move to strike the last word, and I yield to Mr. FRANK from Massachusetts.

Mr. FRANK of Massachusetts. I unfortunately have to again correct the ranking member. There was no money for affordable housing construction of any significance for Katrina affected areas.

The gentleman from Alabama incorrectly stated that we already voted \$3 billion for Katrina. In the bill that we passed for the hurricane, there was one proposal for project-based section 8 that could help build 4,500 units. There was no other money in that bill for housing construction. Members will go back and read the debate, and they will see it was always contemplated by those of us for the bill that would be accompanied by this bill.

The assertion that this duplicates money voted for housing construction in Katrina has zero accuracy. This was always contemplated to be the second bill.

Additionally, the gentleman said I said the money wouldn't come from anywhere. No, quite to the contrary. I said several times in this hearing that it would come from the shareholders. I do not believe that Fannie and Freddie have monopoly pricing power that allows them simply to pass along every cost. Beyond that, I did note know that there were other positions being taken that would reduce the portfolio of Fannie and Freddie that would have far more impact on the profitability than the housing fund.

So those who believe that when you impact Fannie and Freddie's profitability you raise the cost of mortgages, they should not be for any other reductions in the housing fund.

I thank the gentleman from Colorado and I return his time to him.

Mr. PERLMUTTER. I would like to say something to the gentlelady from Illinois. The Affordable Housing Fund has specific and definite parameters as to how it is derived and how it is built. So I am not sure what she is saying is there is no certainty attached to it.

And the other thing is this is a classic tail wagging the dog argument. My friends on the other side, here we have, as Mr. BACHUS aptly pointed out, an entity. And it is a government entity, these GSEs with trillions of dollars of assets. And what we are talking about here is \$500 million of affordable housing passing from one government entity to potentially another. It is less than one one-thousandth of the overall asset base of the particular GSEs, and less than 10 or 13 percent of the several billion dollars misstatement in accounting, which is what we are really trying to get to in this bill.

These entities could not account for their funds properly. They need more oversight. And I find my friends on the other side disregarding the purpose of this bill, which is the oversight to rail against the affordable housing for people in low and very low income situations from profits that are generated by a government entity.

They are saying that is wrong, that is socialism.

Mr. BACHUS. Mr. Chairman, will the gentleman yield?

Mr. PERLMUTTER. I yield to the gentleman from Alabama.

Mr. BACHUS. The gentleman keeps saying this is a government entity. This actually is a government-sponsored entity. And what we do in this bill is we try to separate and say that there is no implied guarantee by the government for this entity; it needs to generate its own profits. And it does that from homeowners whose mortgages they purchase or back.

Mr. PERLMUTTER. Reclaiming my time. Government-sponsored entity, government entity. In this instance, this is minute compared to the assets of this government-sponsored entity, and this is a classic tail wagging the dog. I would urge a "no" vote on this amendment.

Mr. GARRETT of New Jersey. Mr. Chairman, I move to strike the last word.

First of all, let me commend the chairman on his work on this legislation with regard to the underlying and the basic principle where this whole legislation came from; and that is, to create a world class regulator, I think was the buzz word when we first started working on this, with regard to the GSEs. And when the night is done and we vote on final passage of this, I hope that the language in the bill, I see the chairman is leaving. But I hope that the chairman will stick to his promise and the assertions that what we have in this is a good regulator, and it will not have any amendments that will water that down.

But to the point of the ranking member's amendment, I stand in support of the amendment. We should look at this and realize that what we have in this housing fund is an MTI, a mortgage tax increase. After this bill becomes law and a prospective homeowner goes to buy his next house and he sits there at the lawyer's office with the stack of papers this high that they have to fill out, somewhere in those documents buried in all the fine print and other costs that always are found in a home purchase at the last minute will be increased costs to them, an MTI, a mortgage tax increase.

Why is that? Because, as the ranking member indicates, you can't pull money out of thin air. We are not creating perpetual motion by this bill. They are trying to set with the housing fund a new flow of money to go into this. But where does it come from?

Now, the chairman of the committee constantly retorts that it is not coming from the perspective home buyer, it is not coming from the low and moderate income individual, who is just getting enough money together to buy that first house. And yet the door is slammed shut on them because one more tax, an MTI, a mortgage tax increase, is coming through this bill.

The chairman would suggest that it is coming exclusively from the stockholders. I don't see the chairman on

floor at this time, but I would offer and entertain from the chairman whether he would accept an amendment to the bill right now that would specifically say that: That no increase in fees can be charged; that we cannot raise any taxes on the individual; and that all the money has to come from the stockholders.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. GARRETT of New Jersey. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. I wouldn't accept such an amendment because it would be impossible to enforce the economics of what's involved, to the extent that an entity has pricing power, monopoly pricing power or duopoly that can pass along the costs.

I would just note that the gentleman from New Jersey has an amendment that would have a far more significant negative impact on the profitability of these institutions than this bill.

Mr. GARRETT of New Jersey. Reclaiming my time. Because I have heard the gentleman make that charge with regard to my amendment, which has not come to the floor yet and I will be glad to get into a debate on my amendment later on. But the amendment that is before us right now addresses the issue as far as this MTI, mortgage tax increase.

And I appreciate the chairman now coming to the floor and saying specifically that his comments earlier was not absolutely correct when he said it would all come from the stockholders. Before he said it would come from the stockholders and not from the home buyers. Now he just indicated that you can't put that in language because you cannot actually prove that is going to occur. And that is my point, that at the end of the day the GSEs are in control of this. They will have the tax on them; they will have to decide where this tax is going to be placed. Is it on the poor, low income family, who has no bargaining rights with the GSEs at all; or will be with their stockholders, which the chairman just admitted that we as a legislative body cannot control.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. GARRETT of New Jersey. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. I am disappointed in the gentleman's naive economics. No, you cannot by statute affect this economic question.

My point is that is a measure of where the pricing power is, and it is impossible to sort out where it comes from when you are talking about profits. A corporation will maximize profit. One of the restraints on that will be competition.

My belief is that there is sufficient competition in this field so their ability to put all the costs on the customers and not have much on the company shareholders is far less than the gentleman from New Jersey thinks. That is not something you do by statute, as in every other context he would recognize.

Mr. GARRETT of New Jersey. And I am not naive in my politics or on economics at all. Because we know that, in business, at the end of the day the cost of anything that we buy is eventually paid for by whom? By the consumer.

You can say that you are pushing it off onto the stockholders or the investors of the company, but at that point in time you realize that if it raises the price too much for the stockholders or investors to invest in that company, what will they do? They will step back and they will not invest in that entity anymore, they will not invest in that company anymore, which raises the overall cost for investment for that entity. In this situation, then where does the cost go to? It goes to the consumer.

Mr. Chairman, we should be opposed to this mortgage tax increase.

□ 1745

Mr. SCOTT of Georgia. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I want to talk about this for a moment. First of all, let me just address the gentleman from Alabama's amendment, who's a very honorable person and a very, very good and highly thought-of colleague.

But it's very important that we recognize that his amendment is designed to do one and one thing only, and that is to gut this bill. And that's what the design is. So no matter which way you talk, whatever the arguments you use, it's designed to gut the bill.

Now, for the last year and a half, 2 years in our Committee on Financial Services, we've talked about the affordable housing trust fund. It has been moved out in many respects as a bipartisan measure.

Now, this is tailored. It's tailored specifically. I want to put into the RECORD a letter. It comes from the Most Reverend Nicholas DiMarzio, who is the Bishop of Brooklyn, Chairman of the Domestic Policy Committee for the United States Conference of Catholic Bishops. Here is what he says.

He says, "As Chairman of the Domestic Policy Committee of the United States Conference of Catholic Bishops, I write in strong support of a provision in H.R. 1427, the Federal Housing Financial Reform Act of 2007, that provides some \$500 million a year from Fannie Mae and Freddie Mac as a dedicated source of funding for an affordable housing trust fund.

"As you know, the Catholic community serves tens of thousands of men and women and children who struggle to avoid homelessness and maintain adequate housing. Besides sheltering homeless people who turn to us for help, our Catholic Charities, agencies, dioceses and parishes have built and continue to maintain thousands of affordable units. But despite our efforts and the efforts of so many others, there is just not enough affordable housing available. And we believe that a trust fund will be a stable source of money for building and rehabilitating afford-

able housing for very low income people.

"Our experience demonstrates to us how homelessness and inadequate, sub-standard housing destroys lives, undermines families, hurts communities and weakens the very social fabric of our Nation. By setting aside money for a National Housing Trust Fund, Congress acts to make the shelter needs of low income families a national priority."

This brings us to the crux of this matter. And the crux of this matter, gentleman from Alabama, and my colleagues on the other side of the aisle, is that we have a pressing need. We have a pressing need for affordable housing. And nowhere is that pressing need more pressing than in Louisiana and Mississippi, where this is targeted to.

How those people have suffered; how much they've begged and pleaded for help. And yes, we have passed Katrina funds, but not for this.

And in committee, time and time again, we've raised these issues, and your very amendment, my distinguished friend from Alabama, was defeated in committee.

Now, it's very clear that 75 percent of the affordable housing funds available in the first year will go to Louisiana. 25 percent of such funds will go to Mississippi for affordable housing arising out of the costs and out of the terrible agonies of Hurricanes Katrina and Rita.

It's about time that we responded to these needs. And there's no better way of dealing with it than through Fannie Mae and Freddie Mac.

But I do want to set the record straight so we understand, from the point from the gentleman from New Jersey and others, and the public who's listening to this debate and watching this debate, to make sure that you understand exactly what this housing fund is based upon. It is funds and

where the funds are derived from. They're derived through contributions by Fannie Mae and Freddie Mac in amounts equal to 1.2 basic points on each GSE's total outstanding mortgages, including both those held in the portfolio and those that have been securitized each year, from 2007 through 2011. And the program sunsets in 5 years. This is not a permanency. This is an emergency situation where affordable housing is needed. We're infusing this in. We're targeting it to the area in this country where the greatest need is, and then we're sunsetting it in 5 years. That's the responsible way of doing it. And I submit that the gentleman's amendment should be defeated.

Mr. HENSARLING. Mr. Chairman, I move to strike the requisite number of words.

I'd like to yield 30 seconds to the ranking member.

Mr. BACHUS. I appreciate the gentleman from Texas.

Let me say this to the gentleman from Georgia. He said that my amendment guts the bill because, as he sees it, the bill is this pressing need for af-

fordable housing, when I say this bill is all about establishing an independent world class regulator for Fannie and Freddie. So I think that is true. I think you're acknowledging that what we're doing is establishing a strong regulator. What y'all are doing is establishing an affordable housing fund.

Mr. SCOTT of Georgia. Will the gentleman yield for one moment, please? Who better to deal with affordable housing than Fannie Mae and Freddie Mac?

Mr. HENSARLING. Reclaiming my time.

The CHAIRMAN. The gentleman from Texas controls the time.

Mr. HENSARLING. Mr. Chairman, I heard the gentleman from Georgia earlier read some correspondence from a bishop. I don't have any correspondence from a bishop this evening, but I do have some correspondence from some hard working families in the Fifth Congressional District of Texas talking about what we could do to make their housing affordable. And I think it's particularly important when we think about my friends from the other side of the aisle earlier today, literally just a couple of hours ago, passing the single largest tax increase in American history that will amount to roughly \$2,700 a year on the families in the Fifth District of Texas.

I heard from the Freeman family in Mesquite, and they wrote me, that "With the extra \$2,700 being forced to pay to Washington, my family could lose our home, or we may be forced to give up education because the money won't be there to pay for it. It is really unfair that the low man on the totem pole is always having to give everything up. These extra taxes are not needed."

Well, one way we can make housing affordable is not tax people with homes in the first place.

I heard from the Kirkendoll family in Garland, Texas. "Dear Congressman Hensarling, I am unemployed on Social Security and my wife works. At this point, between taxes and utilities, we're at the breaking point of being able to keep a home."

You know, one of the greatest ways that a home is affordable is you don't take money away from the family in the first place. And so, besides the single largest tax increase in American history that the Democrat majority passed earlier today, now they want to pass on a mortgage tax on hard working families struggling to make ends meet as well.

I heard from the Stevens family in Mesquite, Texas. "Congressman Hensarling, I wanted to let you know that I'm a single mom that does not receive any type of child support, and a tax increase of this amount would break me. I would be at risk of losing my home with this type of increase. I'm writing to ask your help to keep this from happening. This will be devastating to middle income families and families in my situation."

Mr. Chairman, I have many more letters like this. And so we've heard so much rhetoric from our friends on the other side of the aisle that somehow we don't care about affordable housing. The greatest affordable housing program in the history of this Nation is a good job and a low tax rate. And yet, with the single largest tax increase in American history passed by the majority earlier today, they threaten the almost 8 million new jobs empowering people to buy homes. You take the tax relief away. You increase taxes on capital dividends, capital gains, you start taking those jobs away.

And then you pass on this roughly \$2,700 a year on hard working families all over America, you've got a double whammy. You start taking their jobs away, and then you start taking their ability to pay for these mortgages.

I listened very closely to the chairman of the committee earlier when he accused the gentleman of New Jersey from, I guess, subscribing to naive economics. I will admit, it's been a number of years ago, but I actually studied economics. I have a degree in economics. I spent 10 years in private business. And what I know about economics is that when you have a government sanctioned duopoly, as opposed to an atomistic competitive marketplace, they have a great ability to pass on costs to their customers, in this case, ultimately, the homeowner.

So I guess the gentleman, our chairman, has studied a different economics than I do. And I did listen when the chairman said that it's the shareholders that will pay. So I'm offering an amendment later this evening that says this so-called affordable housing fund will go away if the regulator determines that interest rates go up. And since the chairman believes that only shareholders will pay, I look forward to him accepting that amendment.

Ms. WATERS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman and Members, I am surprised at the information that is being given from my friends on the opposite side of the aisle about this bill. Mr. GARRETT from New Jersey gets up and talks about the mortgage tax increase. There is no MTI. He made that up. There is no MTI identified in and for this bill. I don't know where they're getting this from. They have vivid imaginations, and they would have you believe that somehow, in order to create this housing trust fund and have the GSEs participate in it, there must be something that they've made up called a mortgage tax increase.

Did anyone tell my friends on the opposite side of the aisle that the GSEs have many places they can take the money from?

First of all, it is important for everyone to know and understand, this money does not come from the general fund. This money does not come from something called an MTI. This is after-profit tax from the GSEs. And they

have all of these programs, they have not only programs that they could eliminate, they could rearrange, and get millions of dollars from, but the investors, instead of getting huge profits, they could be reduced a little bit so that money could go into this housing trust fund.

You would think that the Members on the opposite side of the aisle don't have a housing crisis in their district. Well, I've been to Alabama. I've been in Mr. BACHUS' district. I want to tell you, he's got some terrible housing problems. He's got a crisis.

But Mr. HENSARLING does, too. I don't know where those letters are coming from, but let me tell you about his district. Renter households, 81,740 including 14,931 extremely low income households in Mr. HENSARLING's district.

Of these extremely poor households, 56 percent of them are paying more than half of their incomes for housing. In this district, there's a deficit of 9,571 units that are affordable and available to extremely poor households.

I don't mind speaking up for the least of these and poor. I don't mind trying to help the people in my district. But I do mind carrying the burden for all over America, for districts where there are people in need, and somehow their representatives forget to represent them.

And my friend would have you believe that he's so concerned about the safety and soundness of these GSEs, and that they want independent world class regulation. And we've created that in this bill, we have compromised, we have worked with them, we have put a new agency in. We have done a great job.

Are you willing to sacrifice that because you don't believe the government should participate in helping the least of these get some low income housing? Are you willing to give up all that we have worked for to ensure that we have GSEs that are safe and sound because you don't want to help poor people, low income people, people who work every day but simply cannot afford to own a home or have a decent place to live?

□ 1800

I don't think so. I know some of my friends on the opposite side of the aisle may have some questions about how this is all going to work, but I really don't believe that what you mean is that you would give up this bill; that you would rather not see this bill passed, with all of the good that is in it, even FM Watch that was organized some time ago to deal with bringing down the GSEs or supporting this housing trust fund. These are your friends that you have worked with. They like the bill and they like the housing trust fund, and they have letters of support that they have passed out all over this Congress.

So I would say that even if you have some questions, you don't quite understand it, understand this: A housing crisis, people in need, moneys that can

be gotten from GSEs that does not create something called an MTI, that can help people to have a decent quality of life. Just understand that. And couple that with the knowledge that you have worked very hard to make sure that these GSEs are safe and sound and you don't want to give that up at this point.

The Acting CHAIRMAN (Mr. HASTINGS of Florida). The question is on the amendment offered by the gentleman from Alabama (Mr. BACHUS).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

Mr. BACHUS. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Alabama will be postponed.

AMENDMENT NO. 22 OFFERED BY MR. KANJORSKI

Mr. KANJORSKI. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 22 offered by Mr. KANJORSKI:

Page 300, line 24, strike “, and” and insert the following: “. The Federal Housing Enterprise Board may recommend individuals who are identified by the Board's own independent process or included on a list of individuals recommended by the board of directors of the Bank involved, which shall be submitted to the Federal Housing Enterprise Board by such board of directors. The number of individuals on any such list submitted by a Bank's board of directors shall be equal to at least two times the number of independent directorships to be filled. All independent directors appointed”.

Mr. KANJORSKI. Mr. Chairman, this amendment is drawn for the purposes of clarifying the process used by the new regulator's advisory committee to recommend candidates to serve as independent directors on the boards of each of the Federal Home Loan Banks. This proposal is a simple, yet important, corporate governance reform.

Today, the Federal Home Loan Banks benefit from the service and the guidance of individuals appointed by the regulator to serve on the boards of each of the Federal Home Loan Banks in addition to those board directors elected by member financial institutions. Because the public-private partnership in guiding and monitoring the activities of a Federal Home Loan Bank is an important one, H.R. 1427 would preserve the election and appointment systems for constituting the Federal Home Loan Bank boards.

Under the bill the advisory committee would recommend a list of individuals to serve as appointed independent directors to the head of the new regulatory agency. This individual would then make the final determination about whom to appoint to the independent director seats on the boards of each of the Federal Home Loan Banks.

Independent directors help to focus a Federal Home Loan Bank on its statutory mission. These public appointees also help to ensure that each board has the knowledge, skills, and expertise needed to properly direct and supervise the management of the Federal Home Loan Bank. For this appointment system to work best and for independent directors to perform the role that Congress intended, the director of the new regulatory agency overseeing the housing government-sponsored enterprises should have a choice among a variety of qualified candidates when making appointments just as the voters should have a choice of candidates in elections. My amendment would allow such a choice to occur via two specific methods:

First, it would allow the advisory board to establish its own independent process for identifying individuals to serve as appointed directors. Second, the amendment would build on the rulemaking recently adopted by the existing regulator that has the boards at each of the Federal Home Loan Banks recommending individuals to serve as independent directors.

Under this second route, each board of directors at a Federal Home Loan Bank would put forward at least two candidates for each vacant independent director seat. If a board submitted just one name for consideration, we could create a system by which the independent directors could become beholden to the group that nominated them.

For the appointed directors to remain effective and push the system's mission, we need to make sure that we keep their independence in place. By mandating that a Federal Home Loan Bank board provide at least two recommendations, we will help to prevent these unusually cozy relationships from ever developing.

In sum, Mr. Chairman, my amendment refines the processes to be used by the Federal Housing Enterprise Board in recommending individuals to serve as appointed directors on the boards of the Federal Home Loan Banks in a way that helps to preserve their independence and to ensure that they help a Federal Home Loan Bank to achieve its intended mandatory objectives.

I urge the adoption of this proposal.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. KANJORSKI. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Chairman, I thank the gentleman for yielding.

I want to express my support for this. We have talked to Members on the other side. My understanding, this is one of nine that was going to be agreed to.

The gentleman from Pennsylvania has been one of the leading Members of the House in insisting on the public functioning of this board and the members, and this is another chapter in the

book he is writing about how to protect the input here from citizens. So I strongly hope that the amendment is adopted. It is my understanding that it was acceptable on the Republican side as well.

Mr. HASTINGS of Florida. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. KANJORSKI).

The amendment was agreed to.

AMENDMENT NO. 29 OFFERED BY MR. HENSARLING

Mr. HENSARLING. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 29 offered by Mr. HENSARLING:

Page 128, line 22, strike "temporarily".

Page 129, line 4, strike "or".

Page 129, line 7, strike the period and insert ";" or".

Page 129, after line 7, insert the following:

"(D) are contributing to an increase in the

cost of mortgages to homebuyers."

Mr. HENSARLING. Mr. Chairman, I actually had alluded to this. I hope that the chairman was able to listen at the time. This goes further into the discussion of the mortgage tax that those of us on this side of the aisle believe is being imposed upon the American people by this so-called Affordable Housing Fund.

Earlier this evening the chairman said that he believes that this will be paid by the shareholders. We believe on this side of the aisle that, due to the duopoly power, the Fannie and Freddie, that they already control roughly 80 percent of the market in which they operate, that a substantial portion of the cost of the so-called Affordable Housing Fund will, indeed, be imposed upon homeowners in the form of higher mortgages, indeed, functionally a mortgage tax, a new mortgage tax on the American people.

I was heartened to hear, although I disagree with his economic analysis, that the chairman has concluded that this will be paid by the shareholders.

My amendment is fairly simple. It amends the section dealing with having the regulator suspend the program. Now, we know that within the language the program can be suspended, essentially, dealing with systemic risk of the economy. What my amendment does is, if the regulator finds out that, contrary to the chairman's opinion, that there is a mortgage tax, that indeed it has an adverse impact upon the cost of housing in America, that mortgages rise, that the program will be terminated.

So, again, I hope I understood the chairman correctly when he said that he thought this cost would go to shareholders. If he does, I would hope that he would accept the amendment. And if the chairman chooses not to accept the amendment, and I am sure the gentleman will let us know soon, then I guess what we are admitting is that,

indeed, there is a mortgage tax to be imposed on hardworking homeowners, some of which we heard from earlier this evening from the Fifth District of Texas, and we know how an additional tax is going to adversely impact them in the ability to keep their homes.

So I hope the chairman is right that shareholders, as opposed to homeowners, end up paying this if we are going to be stuck with this particular program.

So this is a very simple amendment that says if we have a mortgage tax, the program is suspended. If we are confident there is no mortgage tax, then there shouldn't be any opposition to this particular legislation.

With that, Mr. Chairman, I request an "aye" vote.

Mr. FRANK of Massachusetts. Mr. Chairman, I move to strike the last word.

Mr. Chairman, this is another effort to try to kill the fund, this time by obfuscation.

We have tried to work out some agreement. There are about 11 different amendments that try to do the same thing. Members should just be ready to be here all night and maybe until Tuesday or come back on Tuesday.

I understand the objections to the fund. What I don't understand is why Members wouldn't be willing to accept two, maybe three chances to defeat it.

Now, with regard to the economics, first of all, there is this myth that we have said it's not coming from anywhere. We do believe that it will come primarily from the shareholders.

By the way, in earlier debates on this, some of the opponents of the bill said the same thing. If you go back and look at the transcripts of our committee, although I can't understand why anybody would want to do that, you will find people saying we were unfairly levying on the shareholders. That didn't work.

There are people who do not believe that the Federal Government should be encouraging the construction of affordable housing, and understand that however we propose to do it, they will object to it. If we try to do it through appropriations, that will be a problem because of the deficit. Here we try to do it by taking, we believe, essentially from the profits of Fannie Mae and Freddie Mac.

Now, as to the legitimacy of their concern, I will repeat, and the gentleman from New Jersey seemed annoyed when I mentioned it, he has an amendment that, by making restrictions on the portfolio of Fannie Mae and Freddie Mac, their main profit generators, would hit their profits far more than anything you could conceivably attribute to this amendment. So it would have, if you believe that this is going to hurt the borrowers, a much more negative effect.

I heard the gentleman from Texas say this is a government-sanctioned duopoly. At one point it might have been. In fact, today, the securitization

market is far more competitive. It's not atomistic, but there are states, economic states, between duopoly and atomic, and this is where we are here. There are significant private competitors to Fannie Mae and Freddie Mac. You will know that because some Members, Mr. Chairman, have heard from them who don't like what we are doing here. And we believe that the primary burden here will come from the shareholders. The notion that Fannie Mae and Freddie Mac can raise prices at will does not seem to me to reflect economic reality.

Now, the gentleman from New Jersey said why don't you pass a statute saying that? That is the naivete of economics. You can't pass a law that says economic reality shall be X or Y or Z. There is an interplay among various forces. We do believe that the great bulk of this will come from the shareholders.

By the way, it amounts to 5 percent of the profit. Other amendments would restrict the profit by far more. And if people legitimately believe that any restriction on the profit was going to hurt the mortgage borrowers, then they wouldn't be offering those other amendments.

There is a common thread here. They don't think the Federal Government should help build affordable housing. We strongly disagree with that. We believe that the Federal Government should. The calculation that is being asked to be made here is a very difficult one to make.

The gentleman prides himself on his economic expertise that he learned some time ago. I don't know where he learned that you could easily make this kind of calculation. There will be legitimate debate.

□ 1815

And by the way, what he does say here is that if at any point it turns out that there is an impact, you know, things can happen slow, the competitive situation can be more or less, a lot of factors will affect this. If at any point it happens, then the fund is permanently shut down. You will note that he strikes the word "temporarily." This is an effort, once again, to kill the fund.

Mr. HENSARLING. Will the gentleman yield?

Mr. FRANK of Massachusetts. Not yet.

I understand people who don't like it. And by the way, I would note again, not the gentleman from Texas, but 209 Republicans in October 2005 voted for legislation that included exactly this sort of fund. Some of us voted against it because of a provision that is not now in this bill that would have kept the Catholic Church and others in the religious field from building housing. But I don't understand why, if it's so terrible today, it wasn't then.

Mr. Chairman, now I will yield to the gentleman.

Mr. HENSARLING. I thank the chairman for yielding.

I want to make it very clear; I have agendas, I don't have hidden agendas. I want to make it very clear, I do disagree with this program. But if we are going to have the program—

Mr. FRANK of Massachusetts. I'm sorry, I didn't hear what you said.

Mr. HENSARLING. Again, I thank the chairman for yielding.

I simply said that you seem to imply that this was designed to somehow kill the program. I just wanted to make it very clear that any way I could get rid of this program, I would. But I would ask the chairman for a clarification.

Mr. FRANK of Massachusetts. I thank the gentleman, and I understand that. And that's clearly what's involved here. And we will hear four or five different ways to do it.

Let me just say this; this has now become a late night TV commercial, it might be a late night debate. It will slice, it will dice, it will cut. We are going to see the magic nine cut knife as a way to kill the Affordable Housing Program. And we will have everybody but a TV pitchman demonstrating it. And maybe he will throw in a few Ginsu knives as well to knock off a couple other programs, but this is simply one more assault out of many that we will hear today on affordable housing.

Mr. PRICE of Georgia. Mr. Chairman, I move to strike the last word, and I yield to the gentleman from Texas.

Mr. HENSARLING. I thank the gentleman for yielding.

I was going to ask the chairman for a clarification. What I heard earlier in the evening is that shareholders will pay the cost of the Affordable Housing Fund. And what I think I'm hearing now is that the shareholders will pay substantially most of the housing fund, which leaves some portion paid by somebody else.

So I am asking the chairman, in his opinion, if it is no longer being paid totally by the shareholders, doesn't that mean that some portion is indeed being paid by the homeowner? Thus, we can debate the quantity of the mortgage tax that will be imposed upon the homeowner. But it seems to me if we've gone from total shareholder payment to substantial shareholder payment, there is a mortgage tax. And I might request the gentleman from Georgia to yield to the chairman for clarification.

Mr. PRICE of Georgia. I yield to the chairman.

Mr. FRANK of Massachusetts. Well, in the first place, the universe is not exhausted by the borrowers and the shareholders. There are banks involved. There are many other people in the transaction. And yes, I think there will be various distributions, of course, and it will differ at different times and different economic circumstances, depending on the competitive situation.

I believe that it is possible in some circumstances a very small percentage of the 5 percent might go on to the mortgages. It is likely to be de mini-

mis. And the answer is it doesn't come just from the shareholders, it comes from the banks, from the mortgage brokers—

Mr. HENSARLING. Thank you.

Mr. PRICE of Georgia. Reclaiming my time.

Mr. FRANK of Massachusetts. I'm sorry for trying to answer the question.

Mr. PRICE of Georgia. I appreciate the chairman's candor, because what we have just heard from the chairman is important because it's the first time that the chairman has recognized and appreciated that, in fact, mortgages will go up, and they will go up on individuals that may be the least able to afford them in this Nation. And therefore, I think the contention of my good friend from Texas, that this is indeed a mortgage tax on individuals least likely to be able to afford them is accurate. I appreciate the gentleman pointing that out.

Mr. BLUMENAUER. Mr. Chairman, I move to strike the requisite words.

Mr. Chairman, one listens to the ebb and flow of this debate, and you sort of lose track of what it is that we are about here this evening.

As Senator Moynihan said, that we're entitled to our own opinions, we're not entitled to our own facts. And perhaps if my friend from Texas had spent less time making up things to try and scare people back home in terms of political fantasy and spent some time dealing with the substance that we have here this evening, we would have less disagreement.

It was cited earlier that this proposal is an experiment in socialism. Well, one can look at the history of how the special status of these entities evolved from being government agencies to being in this special hybrid status of the government-sponsored enterprises. The fact is that the Federal Government sets the ground rules. Congress sets the ground rules.

As my friend, the chairman of the committee, pointed out, that there are costs associated with everything we do. Goals for affordable housing entail some cost. The regulations entail some cost and consequence. Focusing in on the lowest income has some costs and consequences. This is all right. This is what we are about here this evening is to determine whether or not, as Congress exercises its oversight, its focus, that it is appropriate in nature and it is reasonable in its outcome.

Mr. FRANK has pointed out that what we are talking about here, in terms of this fund, is a tiny fraction of the overall profits of multi trillion dollar holdings. He has also pointed out, and something that has not been refuted by our friends who are trying to kill it, is that there are other proposals that they are talking about which would bear far greater impact on the profitability of the enterprises. The question we should be asking is whether the goal is one that is appropriate. And it seems to me very strongly that what has been identified here is an appropriate goal. It is consistent with the

creation of these entities. It speaks to a crying need in community after community.

I would strongly urge that we vote down this and each of these proposals to gut this essential provision that would help us make substantial progress in providing affordable housing for those who need it most.

Mr. SCOTT of Georgia. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I really believe that it is so comical to see our friends on the other side of the aisle come up with the various and different ways to so-called "skin this cat" and gut the bill. This is very clever way my great friend from Texas, whom I have great respect for (Mr. HENSARLING), but, Mr. Chairman, let me just read for the RECORD exactly what his amendment says so that we can really fully understand the lengths to creative linguistic judgments that they will go to cleverly try to skin the cat and gut the bill.

Mr. HENSARLING says his amendment will permanently eliminate the Affordable Housing Fund contributions in the case of certain factors in the bill that, as written, merely require a suspension of fund contributions. And two, also requires permanent eliminations of the Affordable Housing Fund contributions if a determination is made that such contributions are contributing to an increase in the cost of mortgages to home buyers. Putting the issue in a considerably complex box.

Now, we know from the dynamics of economics what is happening in our society today, especially in the housing market. We know what the ravages of Hurricane Rita and Katrina has done to the area which we are targeting the bill. We also know that there is no segment in society that is most impacted and in need of affordable housing than the very, very poor, those people who need the help. This is where this bill is being targeted.

And his amendment would prevent the reinstatement of affordable housing funds when a GSE's financial problems temporarily cause a suspension of funds contributions is resolved, and would also create a new condition to shut down the fund that could arbitrarily result in the permanent elimination of the Affordable Housing Fund. That is exactly what the gentleman's amendment does, and that is exactly why we need to defeat it.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. HENSARLING).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

Mr. HENSARLING. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Texas will be postponed.

AMENDMENT NO. 21 OFFERED BY MR. HINOJOSA

Mr. HINOJOSA. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 21 offered by Mr. HINOJOSA:

Page 140, line 3, before the semicolon insert the following: ";" except that the Director may, at the request of a State, waive the requirements of this subparagraph with respect to a geographic area or areas within the State if (i) the travel time or distance involved in providing counseling with respect to such area or areas, as otherwise required under this subparagraph, on an in-person basis is excessive or the cost of such travel is prohibitive, and (ii) the State provides alternative forms of counseling for such area or areas, which may include interactive telephone counseling, on-line counseling, interactive video counseling, and interactive home study counseling".

Mr. HINOJOSA. Mr. Chairman, today I am offering an amendment to the housing counseling amendment that I passed in committee. Today's amendment will permit States to seek a waiver of the in-person pre-purchase housing counseling requirement if the person obtaining the mortgage lives in a remote area of the country, which includes the majority of rural America.

I urge my colleagues to support the amendment.

Mr. Chairman, during the Financial Services Committee mark up of H.R. 1427, I offered an amendment to the Affordable Housing Fund section of H.R. 1427 that requires that homebuyers who fall below 50 percent of the median income obtain pre-purchase in-person housing counseling. The Committee adopted the amendment by voice vote.

My amendment recognizes the fact that we have a very unstable housing market at the moment.

It also acknowledges that minorities are becoming victims of predatory lending, and that the poorest of the poor, which includes a considerable percentage of my congressional district and other rural districts, need financial literacy in general—and in-person housing counseling in particular—before they enter into any kind of loan agreement.

The amendment that passed in committee does not require any funding from the Affordable Housing Fund. The funding for such counseling usually comes from the Department of Housing and Urban Development or the States. My amendment merely requires that existing counseling information be provided in-person for those who fall below 50 percent of the median income, which tends to be renters.

Today, I am offering an amendment to the housing counseling amendment that passed in committee. Today's amendment will permit states to seek a waiver of the in-person pre-purchase housing counseling requirement if the person obtaining that mortgage lives in a remote area of the country, which includes the majority of rural America.

The alternative forms of housing counseling may include interactive telephone counseling, on-line counseling, interactive video conferencing, or interactive home study counseling. A complete waiver of the counseling requirement under Section (g)(2)(d) may be granted only for borrowers for whom it is not possible to provide such alternative forms of counseling. Very few households meet this criteria.

Mr. Chairman, I believe that this amendment No. 21, provides states with the appropriate waiver authority they need to take into account the difficulties of providing in-person housing counseling, Financial Literacy Education, to those living in remote areas of the United States.

I urge my colleagues to support amendment No. 21.

Mr. FRANK of Massachusetts. Mr. Chairman, I am impressed with the precision and exactitude of my friend from Texas. I am actually used to Texans talking slower. I appreciate my friend getting to the point so quickly, and I apologize for my not being there.

It is a very good amendment and I think has been agreed to by both sides.

The gentleman from Texas has been a strong proponent of housing counseling. We all agree that if we had had more of that earlier, we might have less of a problem than we have today. He has been very strong on the questions of literacy. So I very much appreciate this amendment and hope it is adopted.

Mr. HINOJOSA. Mr. Chairman, I yield to the gentleman from Texas (Mr. NEUGEBAUER).

Mr. NEUGEBAUER. Mr. Chairman, we have no objection to the amendment.

Mr. FRANK of Massachusetts. Thank you, Mr. Chairman. Not elegant, but effective. I hope the amendment is adopted.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. HINOJOSA).

The amendment was agreed to.

AMENDMENT NO. 4 OFFERED BY MR. NEUGEBAUER

Mr. NEUGEBAUER. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 4 offered by Mr. NEUGEBAUER:

Page 60, line 2, after "posed" insert "to the enterprises".

□ 1830

Mr. NEUGEBAUER. Mr. Chairman, I rise tonight to make a clarifying amendment on this bill. One of the things that this bill does is it clarifies the amendment to ensure that the portfolio standard be based solely on the safety and soundness to the enterprises and not any of the broader systemic concerns.

We have the financial housing industry financing model of the world. Because of the model we have in place today, America enjoys one of the highest home ownership rates in the history of this country. More people own a home today than at any time in the history of this country. Primarily a lot of that housing affordability and the ability for Americans has been because of our tremendous secondary market, the ability to provide home mortgages for Americans all over this country.

This legislation clarifies that when the regulator looks at regulating this entity, that he looks at the safety and soundness of that entity and not external factors. Just like when we regulate banks, we set certain standards for their capital, for their loan ratios and all of those other factors, and we should not look at this entity any different than we look at other entities. So really this is a clarifying amendment. It just says we are going to look at the safety and soundness of how this company is running their business.

We shouldn't put things out there that the regulator is not able to, quite honestly, articulate, because what is a systemic risk? That becomes a point of order that sometimes the regulator cannot explain what exactly the systemic risk is they believe it is. It is a way to limit their portfolios.

I want to thank Ms. BEAN of Illinois and Mr. MOORE of Kansas and Mr. MILLER of California for joining me in clarifying the importance of making sure that as we put together a first class world regulator for these very important entities to the American home ownership, that we do not put in place things that would inhibit the ability of these entities to be able to deliver the quality mortgage products that they have delivered to the country over these years.

So I think this is a very clear amendment. It clarifies the language and makes sure we don't have any question about what the intent of the regulator is and what the duty of the regulator is. I encourage my colleagues to support this amendment.

Ms. BEAN. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise today in support of H.R. 1427. I want to thank Chairman FRANK for his hard work in crafting such a strong GSE reform bill, and I am pleased that the Financial Services Committee was able to move this bill to the floor so quickly. Passage of this legislation is necessary to further strengthen the U.S. financial system and is essential in establishing a sound regulatory environment for the housing GSEs, Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

In order to ensure that the GSEs are able to perform their Congressionally chartered functions as efficiently, successfully and safely as possible, Congress must put into place a robust, world class regulator capable of overseeing the safety and soundness of Fannie Mae and Freddie Mac's operations as well as their housing mission.

However, over the last several months, as Congress has considered how best to achieve this goal, much attention has been drawn to the scope of the new regulator's authority in developing criteria to oversee Fannie Mae and Freddie Mac's portfolios, which are critical in providing liquidity and stability to our Nation's housing market.

On this issue in particular, I believe Chairman FRANK's intent in crafting this legislation has been clear from the

beginning, to provide bank-like oversight authority, to ensure the safe and sound operations of the GSE portfolios.

However, when asked about the portfolio language Chairman FRANK negotiated with Secretary Paulson, James Lockhart, the current GSE regulator, was quoted in January as saying, "My view is that inherent in any safety and soundness activity, one has to be concerned about systemic risk, and I don't think it has to say the word to have that as a potential consideration." In contrast, during the committee's oversight hearing, Chairman FRANK once again reiterated what has been his consistent view, that the language was envisioned to only cover mission and safety and soundness concerns.

This apparent ambiguity about the interpretation of the bill's portfolio language fueled concerns on both sides of the aisle and underscores the need to clarify its intent.

Mr. Chairman, the term "safety and soundness" is a well-defined term in banking law and regulation. What is less clear is the application of a so-called systemic risk standard. First, there is no systemic risk standard applicable to banks or financial services holding companies, and certainly no such standard imposed on the mortgages they hold.

Second, the question of whether or not to apply a systemic risk standard to Fannie Mae and Freddie Mac has already been asked and answered definitively by this House. In the 109th Congress, Representative ROYCE offered an amendment to the GSE reform authorizing systemic risk as a consideration for regulating the GSE portfolios. This amendment was overwhelmingly rejected on a bipartisan vote of 346-73.

Such a strong repudiation highlights several of the questions the proponents of systemic risk have been unable to adequately address. Number one, how to define it; two, demonstrate how there could be a systemic risk to the overall economy that would not first trigger safety and soundness concerns to the enterprises themselves; and, three, why should GSEs be held to a different standard than other holders of mortgage assets.

Furthermore, Mr. Chairman, I was extremely concerned yesterday following the administration's release of its official Statement of Administration Policy. In it, the administration suggests that the portfolio authority contained in H.R. 1427 helps to address the systemic risk that Fannie Mae and Freddie Mac pose to our financial system.

The SAP leaves no doubt that the administration interprets the current language of H.R. 1427 to authorize an application of systemic risk, which is why I urge my colleagues to support this bipartisan amendment I am offering today with Representatives NEUGEBAUER, MOORE and MILLER. As it did in the 109th Congress, the House must once again reject the vague notion of systemic risk and be clear that

it is not intended to be a criterion applied by the new GSE regulator.

This amendment is very straightforward. It would ensure if there is sufficient risk posed to each company, the regulator would have the authority to adjust the portfolio. However, the regulator would not be authorized to shrink, cap or limit the size of the GSE portfolios based simply upon a nebulous determination that the portfolios are too large or that they might pose a risk to the overall system.

Again, I want to thank Representatives RANDY NEUGEBAUER, DENNIS MOORE and GARY MILLER for their support and hard work on this issue. I am pleased the amendment has received such strong and broad-based support. I am equally pleased to see that portrayed associations representing the leaders have endorsed this amendment.

Mr. GARY G. MILLER of California. Mr. Chairman, I move to strike the requisite word.

I rise in support of this amendment. The GSE regulator should have authority to limit the size and growth of a GSE portfolio, but specifically addressing safety and soundness are mission concerns with respect to the institution. This was clearly the intent of the language that was introduced within the bill, and this merely clarifies the language in this amendment.

This is a clarifying amendment, not a weakening of the regulator, and that needs to be clearly understood. The amendment mitigates concerns that the regulator could establish an overly broad scope in viewing possible risk to the portfolio.

The goal of this bill is to create a strong regulator. This bill creates that. But such an overly broad view could lead to unnecessary limits on the enterprise's portfolio activity to the detriment of the housing financing system.

The amendment would simply add three words, those are "to the enterprise," to Factor 6 of section 115, so the language would read "any potential risks posed to the enterprise by the nature of the portfolio holding."

Systemic risk can be considered by the regulator, it just must be in the context of safety and soundness and the mission of a GSE. The problems we are having in the housing market today are basically in the subprime and the jumbo market. The reason is because about 18.1 percent of those loans are fixed-rate, 30-year loans. If you look at the conforming marketplace, 82 percent is a fixed-rate, 30-year loan.

The problem in the marketplace is not GSEs in the conforming. The problem is in the subprime and jumbo. So you don't want a regulator to look at the problem in the marketplace and say let's limit the portfolio of a GSE, and restrict the only sector of the marketplace that is not having a high amount of defaults and foreclosures, to the detriment of the marketplace.

If you go back to the 1980s and the 1990s when this country was in a major

housing recession, if you went to a lender, it was almost impossible to get a loan if you did not comply with the conforming requirements. They would not make you a loan to build a house. And if you wanted to buy a house, it had to be based on the underwriting criteria of the conforming marketplace. Thereby, the lender could take and sell that loan off to the conforming market, which are the GSEs.

Lenders at that point in time were facing foreclosures and default rates and having to set aside reserves to deal with it. They did not have the assets to go make loans and hold those loans in their portfolios, because they were limited based on the defaults they currently had. But they would make loans that met the criteria of the GSEs and the conforming marketplaces. Thereby you could go get loans.

This amendment takes no authority out of the regulator's hands to address systemic risk related to safety and soundness or mission of the enterprise. But that is what we need to understand. If the enterprises' portfolio are properly regulated from the standpoint of safety and soundness, the issue of systemic risk becomes moot. Therefore, a broader scope of regulation of portfolios is overreaching and unnecessary in addressing this safety and soundness.

The House previously rejected systemic risk in an amendment in the 2005 bill by a vote of 73 to 346. At that point in the bill, in the 109th Congress, we wanted to make sure that systemic risk only applied within the GSEs, not something outside, and it was clearly defeated. We did the right thing.

The amendment is consistent with the agreement and with the statements by the Treasury and OFHEO and the portfolio provisions. The language is not intended in any way to weaken the agreement with the Treasury. Rather, it is an attempt to clarify the language in the bill to better reflect that agreement.

As an original cosponsor of this bill, I believe this amendment is consistent with our intention for the portfolio provisions. Treasury Under Secretary Robert Steel confirmed this in his testimony to the committee on March 15 in an exchange with Chairman FRANK, when Chairman FRANK noticed that the current language "could go beyond the safety and soundness mission."

Chairman FRANK suggested to Secretary Steel that the language should be improved to ensure that the provisions would not be used beyond the scope, and Steel agreed at that point in time.

Similarly, OFHEO Director Lockhart testified, "My reading of the systemic risk is it's part of a regulator's job; it's part of safety and soundness."

Further, in a letter following the hearing, Lockhart wrote, "We did agree that systemic risk outside of safety and soundness should not be a part of the regulator's approach."

What they are saying in our bill is that this needs to be clarified. This

language does that. It is harmful to the housing markets to reduce GSE portfolios when it is absolutely unnecessary.

We have to look at history and this GSE market has been very good. This amendment has been supported by the National Association of Realtors, the National Association of Homebuilders, the National Association of Mortgage Brokers, the National Association of Federal Credit Unions and the Independent Community Bankers of America.

This is a good amendment, and I request an "aye" vote.

Mr. MOORE of Kansas. Mr. Chairman, I move to strike the last word.

As a cosponsor of this amendment, I rise in support of the effort of my colleagues from Illinois, Texas and California to amend and clarify language in H.R. 1427. I have served on the Financial Services Committee since I was elected to Congress in 1998, and in that time I have learned about the regulation of financial institutions.

I strongly believe, Mr. Chairman, that the regulators of financial institutions like GSEs, should have its authority to assess the risk of an enterprise and to protect the safety and soundness of those entities.

H.R. 1427 grants the new regulators strong authority to promote safety and soundness. Within the scope of that authority is the power to require the GSEs to alter their portfolios in accordance with that goal. I am not aware of any financial institution whose regulator has the power to alter their business on the basis of potential risks it poses to the broader financial markets.

Passage of this amendment would clarify the duties of the new regulator to focus on risk to the enterprises, which is consistent with the authority that other regulators to financial institutions currently possess.

Mr. Chairman, GSEs fill a vital role in the housing market by providing stability, liquidity and affordability. The new regulator has the responsibility of ensuring the safety and soundness of GSEs, and in doing so it will protect the viability of the GSEs.

In keeping with the purpose of H.R. 1427, the Bean-Neugebauer-Moore-Miller amendment will ensure that there is certainty within the markets so that Freddie Mac and Fannie Mae will be able to continue to serve their charter, while being subject to new, robust regulation.

Mr. Chairman, I urge my colleagues to adopt this.

□ 1845

Mr. BAKER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, reluctantly, I must speak with concern about the gentleman's underlying proposed amendment. There are more than sufficient reasons for me to express these concerns in my opinion.

Going back briefly into the record of the difficulties of Fannie Mae and

Freddie Mac of their derivatives portfolio, I bring to the House's attention this OFHEO special report issued in 2003 in which they determined that senior management and the board were quite aware that the skills and systems in corporate accounting were at the least challenged, and that the derivatives group lacked sufficient knowledge and training to administer the risk.

Nonetheless, they chose to move forward with an approach to FAS 133 hedging that was complicated requiring huge volume of monthly accounting events as hedges were designated, and chose to structure some very complicated securitization transactions without proper guidance.

In looking at the annual shareholder report, under their derivatives disclosure, they state: "We principally used the following types of derivatives: Euro Interbank offered rate interest rate swaps; LIBOR based options including swaptions; LIBOR exchange traded futures and foreign currency swaps.

If we go further and look to the counterparties with which the enterprises now must engage hedging strategies, we find that Deutsche Bank holds \$38.952 billion of Freddie's; BNP Paribas, \$28.156 billion; Barclays, \$22 billion; Dresdner Bank, \$4 billion; and please excuse me because my German is poor, Kreditanstalt fur Wiederaufbau holds \$2.5 billion.

Now in understanding why we should have concern about the restraint of a regulator's authority to analyze the portfolio, the underlying safety and soundness conditions, and the elements of world economy that surround their hedging strategies, one only has to remember for a short moment the days surrounding LTCM when there was a Russian currency liquidity crisis, and people who had no expectation across several different currency transactions and swaps, were called upon to liquidate their positions and make cash available and were unable to do so.

It led the Federal Reserve to meet an emergency session in the New York Fed office, and they were surprised to see who was sitting around the table holding these positions, including many commercial banks of whom they had no knowledge were participants.

Let me say it this way, if you don't care about any of that, of our insured depository institutions in this country, almost 8,000, of the tier one capital requirement, that is money you have to have by law in your sock drawer. That says if it rains, you have money to mop up the floor. Almost 50 percent of them meet their tier one capital requirement by holding GSE securities. My goodness, if there were to be the slightest of stumble, it goes to the core of our financial depository institution's safety and soundness.

There are foreign central banks invested in Fannies and Freddies, and if you don't care about that, at least think about your pensioners. There are billions of dollars of Fannies and

Freddies spread across this economic fabric woven together in an extrinsically complicated matter, and we are going to tell this regulator you can only look through the keyhole, you can't look at the room? It makes no sense.

Now I know I will probably lose on this position. The home builders are a powerful enterprise. But for the record, I want to be loud and clear, this is a mistake.

Mr. Chairman, I would be happy to yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. The gentleman from Louisiana has consistently been one of the most constructive Members in this regard. Some of us were not as tuned in as we should have been earlier, and I appreciate that.

I differ with him somewhat in emphasis here because I do think if there were to be any of the threats that he very lucidly and cogently outlines, they would have to involve a threat to the safety and soundness of Freddie and Fannie. That is, I have a metaphor problem. I don't see Freddie and Fannie as pulling down the temple without getting a couple of rocks in their own head. But I do understand it is a matter of concern.

Let me also add, I have some uneasiness because I have worked very closely, and all of us here have been the beneficiary of the very thoughtful approach of Secretary of the Treasury Paulson and Under Secretary Steel. We have come to some agreements.

The Acting CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. FRANK of Massachusetts. Mr. Chairman, I move to strike the last word.

As I was saying, Secretary Paulson and Under Secretary Steel made it possible for us to come to agreement.

I would like to say to Mr. BAKER, as he looks and as I look at who has come there, and I think some statements were made that shouldn't have been made that made people nervous. I want to give my friend from Louisiana and others the assurance, Mr. Chairman, that assuming this wins, and it looks likely to, I don't consider it to be the last word on the subject. I think the concerns he has talked about are legitimate.

We are going to have a bill from the other body, and we will get to a conference. I want to promise that I plan to continue to work with the gentleman from Louisiana, as well as the ranking members on the other side, the Secretary of the Treasury. We win here and we are going there. Maybe we have to move back a little bit. I understand where this comes from.

I agree with him that I don't think there is a point now in trying to fight it here, but I do want to acknowledge that I don't consider it a solely settled issue, and I am hoping that we will find some way to accommodate the very le-

gitimate concerns that he has as we go further.

Mr. BAKER. Mr. Chairman, will the gentleman yield?

Mr. FRANK of Massachusetts. I yield to the gentleman from Louisiana.

Mr. BAKER. I certainly appreciate the chairman's comments and his recognition that the posture of the bill, if this amendment is adopted, may need further examination. I look forward to working with him on it.

On a broader matter, let me say as to the construction of the bill generally, the chairman has done an extraordinary job of giving the regulator the powers and tools that he needs, save in this one area. I hope in moving forward, we can construct a box that makes appropriate regulatory sense. The Treasury has expressed these concerns to me tonight, and I am expressing those views on their behalf as well.

Mr. FRANK of Massachusetts. Let me say, I appreciate that. The Treasury has chosen well in having you do it. I just want to give you my commitment that we will continue to work on this issue.

Mr. HENSARLING. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I wish to associate myself with the comments of the gentleman from Louisiana. I, too, wish to raise my voice loud and clear on the issue, but certainly in a far less articulate manner than the gentleman from Louisiana who is well versed on this issue.

In my opinion, Mr. Chairman, the only thing worse than a regulated monopoly is an unregulated monopoly. I don't necessarily trust private companies. I trust competitive marketplaces, and wherever Fannie and Freddie goes, I feel the competitive marketplace leaves.

Since I have been on the committee 4½ years now, we have heard frequently from our past Federal Reserve chairman and our present Federal Reserve chairman. Their voices could not be more clear on the matter that they believe the GSEs pose a very significant systemic risk to our economy.

Now in a competitive marketplace, you are punished for misleading accounting. In a competitive marketplace, you are punished for bad business decisions. In a competitive marketplace, you are certainly, certainly punished for fraud. We no longer have an Enron. We no longer have a WorldCom. We no longer have an Arthur Andersen. We no longer have a New Century.

A competitive marketplace, before they could lead to systemic risk, took care of those who may have engaged in faulty accounting, fraud, or poor business decisions.

But that is not the case with Fannie and Freddie. And now where we finally have empowered the regulator to do something, the first thing we do is clip his wings. I just feel on this matter, I am going to listen to Chairman Greenspan and I am going to listen to Chair-

man Bernanke, and I don't totally know the impact of the language of the people who offered the amendment, including my dear friend from Texas, completely, I don't know if I completely understand its impact, but what it seems to do, all of a sudden it seems to say well, the regulator can make sure that Fannie and Freddie can't harm themselves, but they can't make sure that they don't harm the rest of us. That is my interpretation of this amendment.

So again, if we are going to sanction a government, if we are going to create essentially a duopoly, and the last time I looked at the records controlled 80 percent of the market in which they operate, and as opposed to retrenching, they seem to prosper when they misstate their earnings, when they have billions and billions of misstated earnings, when they mislead the government and when they mislead their investors, when they couldn't produce audited financials in years, and, I believe, hold more debt than the publicly held debt of the Federal Government, I think we ought to err on the side of strengthening the regulator's ability to protect us by the systemic risk of what we, we in Congress, have created in the first place.

So I, too, wanted to raise my voice loud and clear on this issue. I certainly appreciate the chairman's willingness to work with the gentleman from Louisiana and others of us on the committee who are very concerned about the potential systemic risk posed by the activities of Fannie and Freddie.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. NEUGEBAUER).

The amendment was agreed to.

AMENDMENT EN BLOC OFFERED BY MR. FRANK OF MASSACHUSETTS.

Mr. FRANK of Massachusetts. Mr. Chairman, as the designee of the Members I am about to name, I ask unanimous consent that the following amendments be considered en bloc: No. 2 from Ms. EDDIE BERNICE JOHNSON of Texas with a modification which is at the desk; No. 3 from Mr. BOOZMAN; No. 6 from Mr. TERRY; No. 7 from Mr. DONNELLY; No. 11 from Mr. BLUNT; No. 20 from Mr. McCUAUL of Texas; and No. 31 from Mr. BAKER.

I ask further that the debate on the amendment en bloc and any amendment thereto be limited to 20 minutes, equally divided and controlled by the majority and minority.

I am proud to report that I am the designee of all these people. I have rarely been so popular.

The Acting CHAIRMAN. The Clerk will designate the amendments.

Amendment en bloc consisting of amendment Nos. 2, 3, 6, 7, 11, 20 and 31 offered by Mr. FRANK of Massachusetts:

AMENDMENT NO. 2 OFFERED BY MS. EDDIE BERNICE JOHNSON OF TEXAS

The text of the amendment is as follows:

Page 140, line 3, before the semicolon insert the following: "and a program of financial

literacy and education to promote an understanding of consumer, economic, and personal finance issues and concepts, including saving for retirement, managing credit, long-term care, and estate planning and education on predatory lending, identity theft, and financial abuse schemes, that is approved by the Director".

AMENDMENT NO. 3 OFFERED BY MR. BOOZMAN

The text of the amendment is as follows:

Page 139, strike lines 22 through 25 and insert the following:

"(D) is made available for purchase only by, or in the case of assistance under this paragraph, is made available only to, homebuyers who have, before purchase—

"(i) completed a program".

Page 140, after line 3, insert the following:

"(ii) demonstrated, in accordance with regulations as the Director shall issue setting forth requirements for sufficient evidence, that they are lawfully present in the United States; and".

AMENDMENT NO. 6 OFFERED BY MR. TERRY

The text of the amendment is as follows:

Page 303, line 4, strike "and".

Page 303, after line 4, insert the following:

(B) in the first sentence, by inserting after "less than one" the following: "or two, as determined by the board of directors of the appropriate Federal home loan bank"; and

Page 303, line 5, strike "(B)" and insert "(C)".

AMENDMENT NO. 7 OFFERED BY MR. DONNELLY

The text of the amendment is as follows:

Page 140, line 3, before the semicolon insert the following: ", except that entities providing such counseling shall not discriminate against any particular form of housing".

AMENDMENT NO. 11 OFFERED BY MR. BLUNT

The text of the amendment is as follows:

Page 154, line 6, strike the closing quotation marks and the last period.

Page 154, after line 6, insert the following:

"(p) FUNDING ACCOUNTABILITY AND TRANSPARENCY.—Any grant under this section to a grantee from the affordable housing fund established under subsection (a), any assistance provided to a recipient by a grantee from affordable housing fund grant amounts, and any grant, award, or other assistance from an affordable housing trust fund referred to in subsection (o) shall be considered a Federal award for purposes of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note). Upon the request of the Director of the Office of Management and Budget, the Director of the Federal Housing Finance Agency shall obtain and provide such information regarding any such grants, assistance, and awards as the Director of the Office of Management and Budget considers necessary to comply with the requirements of such Act, as applicable pursuant to the preceding sentence.".

AMENDMENT NO. 20 OFFERED BY MR. MCCAUL OF TEXAS

The text of the amendment is as follows:

Page 154, line 3, after the period insert the following: "Notwithstanding any other provision of law, assistance provided using amounts transferred to such affordable housing trust fund pursuant to this subsection may not be used for any of the activities specified in clauses (i) through (vi) of subsection (i)(6).".

AMENDMENT NO. 31 OFFERED BY MR. BAKER

The text of the amendment is as follows:

Page 23, line 16, strike "5 members" and insert "3 members".

Page 23, line 20, after the semicolon insert "and".

Page 23, line 22, strike ";" and insert a period.

Strike line 23 on page 23 and all that follows through line 5 on page 24.

MODIFICATION TO AMENDMENT NO. 2 OFFERED BY MS. EDDIE BERNICE JOHNSON OF TEXAS

The Acting CHAIRMAN. The Clerk will report the modification to amendment No. 2.

The Clerk read as follows:

Modification to amendment No. 2 offered by Ms. EDDIE BERNICE JOHNSON of Texas:

In lieu of amendment No. 2, on page 140, line 3, before the semicolon insert the following: "and a program of financial literacy and education to promote an understanding of consumer, economic, and personal finance issues and concepts, including saving for retirement, managing credit, long-term care, and estate planning and education on predatory lending, identity theft, and financial abuse schemes relating to homeownership that is approved by the Director".

Mr. FRANK of Massachusetts (during the reading). Mr. Chairman, I ask unanimous consent that the modification be considered as read and printed in the RECORD.

The Acting CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The Acting CHAIRMAN. Without objection, amendment No. 2 is modified and the amendments shall be considered en bloc.

There was no objection.

The Acting CHAIRMAN. Without objection, the gentleman from Massachusetts (Mr. FRANK) and a member of the minority each will control 10 minutes.

There was no objection.

The Chair recognizes the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield 2 minutes to one of the authors, the gentlewoman from Texas (Ms. EDDIE BERNICE JOHNSON).

Ms. EDDIE BERNICE JOHNSON of Texas. Mr. Chairman, I rise today to support this amendment and certainly want to thank the chairman of the committee and other members of the committee.

My amendment, as modified, addresses the need for public knowledge and understanding of basic financial principles. It also seeks to reduce our Nation's already enormous consumer debt. My amendment requires that anyone who receives Federal assistance through the affordable housing fund committee attend a financial literacy program.

We must educate our Nation's consumers to make informed decisions when managing their personal finances. Many consumers, especially first time homeowners, do not fully understand the complex financial agreements into which they are entering. For most families, their home is their single largest financial investment.

Therefore, it is vital to provide working families with the knowledge on how to buy and keep their homes. The

number of foreclosures rise every month all over the country. And in the Dallas area, we have one of the highest foreclosure rates in the Nation.

My amendment will work to reduce the number of foreclosures and solidify a strong housing market. Education truly is the key to building a strong housing market and strong communities. Homeownership is a dream for many Americans. It represents security and it builds pride in our neighborhoods, and it is essential in creating positive, productive communities.

My amendment will help families fully understand their financial commitments and allow them to successfully achieve their part of the American dream.

I appreciate the chairman including my amendment en bloc.

The Acting CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. NEUGEBAUER) for 10 minutes.

Mr. NEUGEBAUER. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas (Mr. BOOZMAN).

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Mr. BOOZMAN. Mr. Chairman, I thank the gentleman from Texas for yielding me so much time.

In the interest of trying to curry favor with the gentleman from Massachusetts and the gentleman from Texas, I'll be very, very brief.

My amendment is a very common-sense amendment that ensures that any homeowner applying for or receiving assistance through the affordable housing funds are in the United States legally.

Not passing this amendment will only make it possible and probable, highly probable, that people residing in this country illegally will receive these benefits at the expense of U.S. taxpayers.

Mr. FRANK of Massachusetts. Mr. Chairman, first I yield myself 30 seconds to thank the gentleman from Arkansas.

There are actually four amendments trying to achieve the same purpose. I must say I thought his did it in the best possible way, leaving flexibility. There may be legislation adopted. I am hoping this may save us some time later, but I do want to say we completely agree.

Let's be clear now, with the adoption of this amendment, no one will be able to benefit from the Affordable Housing Fund who cannot demonstrate that he or she is legally in this country. I think that was very helpful. I'm glad that it's going to go through unanimously, and I thank the gentleman from Arkansas for the straightforward way in which he did it.

Mr. Chairman, I believe there are no Members left on our side who need to be recognized, so I reserve the balance of my time.

Mr. NEUGEBAUER. Mr. Chairman, it's my pleasure to yield 5 minutes to the gentleman from Texas (Mr. McCaul).

Mr. McCaul of Texas. Mr. Chairman, I rise today in support of an important amendment to H.R. 1427. As we all know, the underlying bill creates an Affordable Housing Fund. In addition, the bill provides for the establishment of an Affordable Housing Trust Fund, should Congress decide to create one in the future. All the moneys from the Affordable Housing Fund would then be transferred into the Affordable Housing Trust Fund.

While I have serious concerns that a fund like this creates the opportunity for fraud, waste and abuse, and detracts from the bipartisan goal of GSE reform, I would like to commend the chairman of the Financial Services Committee for including in the bill a list of prohibited uses for the housing fund grants. These prohibitions include political activities, advocacy and lobbying.

I know that my friends on the other side of the aisle agree with me when I say that government grants should not be used to fund political activities of any sort. If they didn't, they would not have included it in this bill.

My amendment simply applies the exact same restrictions on any future trust fund. While an argument can be made against this amendment that the prohibitions are implied in the text of the bill, it is important in my view that when we are dealing with the taxpayers' dollars that we are as clear and explicit as possible.

I thank the chairman.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. McCaul of Texas. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. I thank the gentleman. I really appreciate his offering this amendment. As I said, I understand there will be some philosophical differences over the existence of the fund, but it certainly is incumbent upon us to make sure that that's all we're debating, not whether it would be misused or abused.

We tried to deal with that. You never anticipate everything, and the gentleman's amendment is a very good addition of the kind of safeguards we want so that we can be debating the real issue and not other things, and so I am grateful that you're offering it.

Mr. McCaul of Texas. I thank the chairman.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield 2 minutes to the gentleman from Indiana (Mr. DONNELLY).

Mr. DONNELLY. Mr. Chairman, my amendment, along with my good friend and colleague, Mr. FEENEY from Florida, will ensure that pre-purchase financial counselors for low income, first-time home buyers who are to receive Affordable Housing Fund grant moneys do not discriminate against any particular form of housing in the performance of their duties or rendering financial advice.

My amendment will prohibit any existing biases from entering into the financial advice that counselors admin-

ister to first-time home buyers, and it ensures that the advice that they are providing is strictly financial, not editorial.

These first-time home buyers need to have access to information about all of the types of affordable housing that is available to them, whether it is a manufactured home, condominium or any other form of quality affordable housing.

We want to ensure that the people who benefit from this program have all of the information they need to make a sound decision based on their financial needs, but counselors should not steer them to or away from specific types of housing.

Mr. Chairman, I urge my colleagues to support this amendment, and I see that my good friend Mr. FEENEY is on the floor as well.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield 1½ minutes to the gentleman from Florida (Mr. FEENEY).

Mr. FEENEY. Mr. Chairman, I will not need that much. I thank the chairman. I thank Congressman DONNELLY.

I think it is important as we get people into counseling to give them the best advice about how they can qualify for good loans and how can get good credit and how they can take care of their financial needs as they move into housing that we not allow counselors to be biased in the forms of the housing that they may like or not, but give all of the options out to the customers.

I want to applaud the gentleman for his good amendment. I want to encourage my colleagues to join in supporting it.

Mr. FRANK of Massachusetts. Mr. Chairman, how much time do I have remaining?

The Acting CHAIRMAN. The gentleman from Massachusetts (Mr. FRANK) has 6 minutes remaining. The gentleman from Texas (Mr. NEUGEBAUER) has 7½ minutes remaining.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield myself 2 minutes. I don't see other sponsors.

Just to say, in the absence of the minority, I don't mean to be presumptuous and others may want to speak as well, but one of the amendments we're adopting was offered by the gentleman from Missouri, the minority whip, to require that any assistance provided in the fund from the National Affordable Housing Trust Fund be considered a Federal award for the purposes of the Federal Funding Accountability and Transparency Act, full disclosure, et cetera.

I appreciate, once again, the gentleman from Missouri offering this. I have heard the gentleman from Texas' amendment. These are two safeguards that we neglected to put in.

What it makes clear is that while this is not going to be Federal funding, it will be treated, since it comes from this Federal enactment, with all of the safeguards that would apply if it were Federal funds. And I think the whip

has done a very good job in doing this. He's picked up an existing set of rules, and this is one more example I think of the extent to which, and I know this doesn't do away with all the controversies, but it does allow us to argue, as I said, on a philosophical basis.

So I just want to acknowledge my appreciation to the whip for coming up with this, and I'm glad we're able to adopt it.

Mr. Chairman, I reserve the balance of my time.

Mr. NEUGEBAUER. Mr. Speaker, we have no other people to speak on this en bloc, and so I yield back the balance of my time.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield back the balance of my time.

The Acting CHAIRMAN. The question is on the amendment en bloc offered by the gentleman from Massachusetts (Mr. FRANK).

The amendment en bloc was agreed to.

AMENDMENT NO. 14 OFFERED BY MR. MCHENRY

Mr. MCHENRY. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 14 offered by Mr. MCHENRY:

Page 156, line 4, after "Congress" insert "and the Director of the Federal Housing Finance Agency".

Page 156, after line 4, insert the following new subsection:

(e) DETERMINATION AND SUSPENSION OF ALLOCATIONS.—Not later than the expiration of the 3-month period that begins upon the expiration of the period referred to in subsection (d), the Director of the Federal Housing Finance Agency shall review the report submitted pursuant to such subsection and shall make an independent determination of whether the requirement under section 1337(b) of the Housing and Community Development Act of 1992 (as added by the amendment made by subsection (a) of this section) that the enterprises make allocations to the affordable housing fund established under section 1337(a) of such Act—

(1) will decrease the availability or affordability of credit for homebuyers of one- to four-family residences; or

(2) will increase the costs, to homebuyers, involved in purchasing such residences. If the Director determines that such requirement will decrease such availability or affordability, or will increase the costs of purchasing such residences, notwithstanding such section 1337(b) or any other provision of law, the requirement under such section to allocate amounts to the affordable housing fund shall not apply, and shall not have any force or effect, with respect to the year in which such determination is made or any year thereafter.

Mr. MCHENRY. Mr. Chairman, I want to start by commanding the ranking member, SPENCER BACHUS, and the chairman of the Financial Services Committee, Mr. FRANK, for the open dialogue that we've had in the Financial Services Committee and here on the floor. This amendment process I think has been a healthy one, and I appreciate the chairman engaging in this debate.

The amendment that I offer today builds on an amendment offered and passed in the committee during mark-up, which I participated in and which I voted for the amendments as well. It requires a GAO study to investigate the Affordable Housing Fund's effects on availability and affordability of credit for home buyers. That's what the amendment added to the bill.

Essentially the GAO study will tell if the costs of the funds are being passed on to home buyers. Some of us on this side of the aisle, many free market conservatives, believe that what is deemed the Affordable Housing Fund, the Housing Trust Fund, will be passed on straight to the mortgage consumers of America; in essence, a tax increase on those who have mortgages, especially middle income individuals.

My amendment takes what is in the bill and goes it one step further. If, as a result of the GAO's report, the Director of the Federal Housing Finance Agency determines that the Affordable Housing Fund is increasing mortgage costs for consumers, my amendment suspends the assessment of Freddie and Fannie. I think this is a healthy thing.

As the bill stands, Freddie and Fannie will allocate an amount equal to 1.2 basis points of their total portfolio to the fund for fiscal years 2007 through 2011. Over these 5 years, the fund will accumulate an estimated \$3 billion for the purposes of these housing initiatives. But Fannie and Freddie are publicly traded companies, and as someone who analyzed the economics of this, I'm concerned that a 1.2 basis point assessment of the total portfolio will simply be a 1.2 percent tax increase on those that have mortgages.

And what I want to make sure is those costs are not going to be passed on to the consumer. What I'm concerned about is that it will be a mortgage tax increase, and that is the reason why I have concerns about the housing fund as it now stands.

So what my amendment does is alleviate those concerns, and if my amendment passes, I think it would be far easier to accept the housing fund as it now stands, and that is my big concern with the bill.

I want to commend the chairman for putting in much-needed reforms to Fannie and Freddie and the government-sponsored enterprises, and we want to make sure that middle income Americans, middle income home buyers will be able to have affordable access to mortgages. That's what Fannie and Freddie are there for. We want to make sure that this does not raise and increase the cost of home buying.

I would ask my colleagues to support my simple amendment that would alleviate some concerns that we, on this side of the aisle, a few on this side of the aisle, have with this bill, and I encourage my colleagues to vote for it.

Mr. SCOTT of Georgia. Mr. Chairman, I move to strike the last word.

In response to the gentleman's amendment, let me just try to cut

through a lot of this to get to exactly why we oppose this amendment and why it's important. And again, this amendment is again designed to obliterate the program.

Now, it's very important for us to understand, we're dealing right now with a very volatile housing market. We're dealing with a situation where the subprime market has melted down. We're dealing with a situation where we've had record foreclosures. We're dealing with a situation where the area we're targeting this to go to first for the first year has suffered the worst natural disaster, where people are homeless as we speak.

There is a need for government. We have a constitutional responsibility to take care of the public interests. If there ever was a need for the public interest, it is needed in affordable housing. We do not need this kind of amendment that in effect does this, all the studying he may want to say, and I respect the gentleman from North Carolina. I do not question his motives, and I do not dislike him as a person. I just dislike greatly his amendment because his amendment goes, again, at the effort to cut this bill, which is totally designed for the least of us, for people that can't afford it, for people that need our help.

That's why we have this measure, and when you look at the marketplace, you cannot apply the activities of the free marketplace dealing with housing and put all of the convertibles you want to put on it as it applies to middle class or upper class individuals. We're not dealing with people with money. We're dealing with people that don't have any money. That's why we're providing this measure to them.

So that if your amendment goes into effect, in effect you will be requiring the Director to determine if the GSE's allocations to the fund will decrease the availability or affordability of credit to home buyers or will increase the costs to home buyers. If the Director determines that the GSE's allocation to the fund will decrease the availability or affordability of credit to the home buyer will increase the costs to the home buyers, the requirement to allocate amounts to the funds shall be terminated.

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All of that power you are putting arbitrarily into a person's hands to say, on his whim, kill the program, done with the program, based upon what he sees and what he says. That's why this bill, this amendment, must be defeated, and we recommend strongly a "no" vote on your amendment for that reason.

The Acting CHAIRMAN. The Committee will rise informally.

The SPEAKER pro tempore (Mr. AL GREEN of Texas) assumed the chair.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Ms. Curtis, one of its clerks, an-

nounced that the Senate has passed with an amendment in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 1495. An act to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes.

H.R. 2206. An act making emergency supplemental appropriations and additional supplemental appropriations for agricultural and other emergency assistance for the fiscal year ending September 30, 2007, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 1495) "An Act to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and that on May 17, appoints Mrs. BOXER, Mr. BAUCUS, Mr. LIEBERMAN, Mr. CARPER, Mrs. CLINTON, Mr. LAUTENBERG, Mr. INHOFE, Mr. WARNER, Mr. VOINOVICH, Mr. ISAKSON, and Mr. VITTER, to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 2206) "An Act making emergency supplemental appropriations and additional supplemental appropriations and additional supplemental appropriations for agricultural and other emergency assistance for the fiscal year ending September 30, 2007, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD, Mr. INOUYE, Mr. REID, Mr. COCHRAN and, Mr. McCONNELL, to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of committee of conference accompanying the bill (S. Con. Res. 21) entitled "Concurrent resolution setting forth the congressional budget for the United States Government for fiscal year 2008 and including the appropriate budgetary levels for fiscal years 2007 and 2009 through 2012."

The SPEAKER pro tempore. The Committee will resume its sitting.

FEDERAL HOUSING FINANCE REFORM ACT OF 2007

The Committee resumed its sitting.

Mr. NEUGEBAUER. Mr. Chairman, I move to strike the last word, and I yield to the gentleman from North Carolina.

Mr. McHENRY. Mr. Chairman, I thank my colleague from Texas for yielding. I want to thank my colleague across the aisle for his informative discussion. I respect him immensely. I appreciate him laying out his arguments against my amendment.