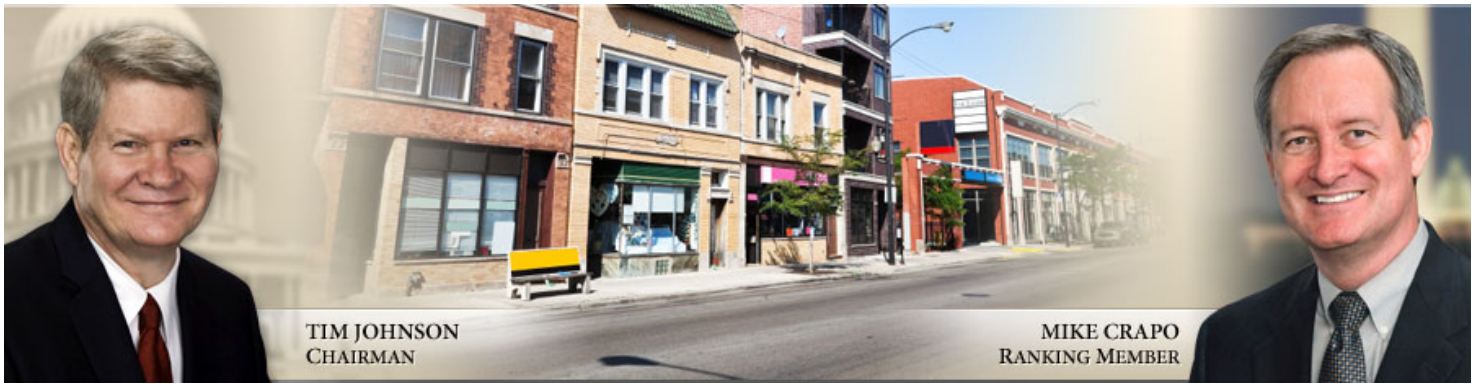

Newsroom

SENATE BANKING COMMITTEE PASSES BIPARTISAN HOUSING FINANCE REFORM LEGISLATION

May 15, 2014

Washington, DC – Today, the Senate Banking Committee approved S. 1217, the Housing Finance Reform and Taxpayer Protection Act of 2013, by a bipartisan vote of 13-9. The legislation included a bipartisan agreement drafted by Chairman Johnson and Ranking Member Crapo and is designed to stabilize the housing finance market and strengthen the American economy. It will create greater competition in the housing finance system and reduce risk to the taxpayer while ensuring affordable, fair access to all creditworthy borrowers.

"After the housing crisis we experienced, real reform is clearly necessary to stabilize the housing system and renew the faith in the American dream of homeownership for generations to come," said Johnson. "I want to sincerely thank all of the members of this Committee for their hard work and input while drafting this legislation. Even though the support was not unanimous, every member on the Committee was actively engaged in this collaborative process, and passing this legislation out of committee is only the first step. I look forward to continue working with my colleagues to keep this important process moving forward."

"Today's vote marks an important milestone. For the first time in the nearly six-year conservatorship of Fannie Mae and Freddie Mac, both bodies of Congress have passed legislation to reform our broken housing finance system. I thank everyone for their continued work on this legislation and look forward to further discussions as the process continues," said Ranking Member Crapo.

The legislation approved by the Committee today builds on S. 1217 as introduced, a bill put forward by Senators Corker, Warner and a bipartisan group of eight other Committee members, and it incorporates many ideas generated by an in-depth series of hearings and briefings hosted by the Committee last fall and winter.

The legislation winds down and eliminates Fannie Mae and Freddie Mac and allows for a diverse set of private entities to step in and replace most of the functions of the government sponsored enterprises. The new system will be regulated by the modernized and streamlined Federal Mortgage Insurance Corporation (FMIC), modeled in part after the FDIC. It also creates a reinsurance fund, known as the Mortgage Insurance Fund, to protect taxpayers.

The new system establishes a type of mortgage-backed security with an explicit government backstop and 10% first loss private secondary-market capital to absorb losses and protect taxpayers from future bailouts.

Small lenders will have multiple access points to the secondary mortgage market, including the option to sell their individual loans through a new small lender mutual. The mutual will be jointly owned by small lenders, providing community banks, credit unions, and other small lenders direct access to the secondary market so that they will not be at the mercy of their larger competitors when Fannie Mae and Freddie Mac are dissolved. Lastly, the new system provides certainty to investors and homeowners through standardization and improved market liquidity.

At today's markup the committee also approved two managers' amendments that included input from Committee members on both sides of the aisle, the Administration, regulators, and other key stakeholders.

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May 15th JOHNSON STATEMENT AT THE HOUSING FINANCE REFORM MARKUP

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