



**Oral Statement of Al Mansell
2005 NAR President
Before the U.S. Senate Banking Committee
April 19, 2005**

■ **Introduction**

Chairman Shelby, Senator Sarbanes, Members of the Committee, thank you for inviting me to testify on the important issue of Government Sponsored Enterprise (GSE) regulatory reform.

My name is Al Mansell. As the 2005 President of the National Association of REALTORS®, I am testifying today on behalf of our more than one million members, who work in all fields of commercial and residential real estate. Fannie Mae and Freddie Mac are our partners in the housing industry. As such, I appreciate the opportunity to share our views on their regulation.

■ **NAR Supports Reform Efforts**

Mr. Chairman, REALTORS® support your efforts to enact legislation to reform the financial soundness regulation of the GSEs. We support a strong, independent safety and soundness regulator. Such a regulator will enhance confidence in America's housing finance system and ensure that the GSEs can continue to make important contributions to our nation's record homeownership rate.

Two years ago, REALTORS® testified before this Committee in support of a new regulator for Fannie Mae and Freddie Mac. At that time, many potential issues had yet to develop, and many other ideas were quite controversial. Since that time, thanks to the diligent efforts of this Committee's Senators and many others, much of the controversy surrounding GSE regulatory reform has quieted. Several concerns we had expressed previously also have been addressed.

Today, America's REALTORS® are confident that we can work with you to enact legislation that will provide the housing finance market with a "world-class" regulator.

REALTORS® agree that any new regulator should be in the form of an independent agency, not subject to the political will of any individual department. We believe the agency should be funded through assessments on the regulated entities, free from the congressional appropriations process. The new regulator should have the authority to wind down the operations of a financially unstable enterprise through a conservator or receiver. We also believe the regulator should have the authority to set capital levels, to approve new programs and products, and to refine affordable housing goals as needed.

■ **Concerns**

Within this general agreement, we have several remaining concerns that we would like to address today.

Specifically, we believe a number of proposals introduced in bills before the Senate and House could reach beyond safety and soundness regulation and diminish the housing mission of the GSEs. REALTORS® oppose this overreaching, and urge you to moderate these provisions.

Program, Business and Activity Approval Process

First, we oppose legislation that would subject every new GSE activity to an extended regulatory public comment process.

REALTORS® recognize the role that program, business and activity approval have on the financial safety and soundness of the GSEs. However, we believe a measured approach to program and product approval is needed to protect the innovation and programs that help more Americans achieve the dream of homeownership.

Mr. Chairman, we support your Committee draft from the last Congress. We agree that the GSEs should be required to provide notice to the regulator of new programs, so that an adequate review of safety, soundness, and mission relevance can be conducted.

Written notice of a new business product or activity would provide the regulator with the opportunity to determine whether that product or activity rises to the level of a new program and/or creates a safety and soundness concern. The regulator could then inform the enterprise if the product or activity is to be considered under new program standards.

The regulator should also determine whether the program is in the public interest. Standards for approval should be those contained in the Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act.

REALTORS® suggest that the time limits on the regulator's decision-making should be shorter, perhaps 30 days, with a 15 day extension, if the regulator asks for additional information from the enterprise.

We believe such a flexible approach will promote innovation, while ensuring appropriate limits on the GSEs' programs and activities.

Bright Line Test

Mr. Chairman and Members of the Committee, REALTORS® also strongly oppose proposals that would stifle the continued evolution of this market in other ways.

The secondary mortgage market is dynamic, robust and continually evolving, all of which benefit mortgage originators, homebuyers, and other industry participants.

There is no need, from a safety and soundness perspective, to create a "bright-line" test or definition of the mortgage market. This arbitrary hard line would impair the ability of the regulator and market players to adapt to changing markets.

For example, we believe provisions contained in bills currently before the Senate and House could immediately limit automated-underwriting programs, affordable-housing initiatives, and consumer-education and outreach efforts.

Market dynamics should be defined by the market, not by statute. Current law clearly defines the proper role for the GSEs in mortgage finance. REALTORS® believe there is adequate guidance in existing law for the regulator to determine acceptable programs for GSE participation.

Simply stated, the housing finance system itself is not broken. The current attempts to change it would weaken the housing mission of the GSEs, with no benefit to the market.

Capital Levels and Portfolio Limits

Finally, REALTORS® believe the authority to regulate the GSEs' portfolios should be governed by true safety and soundness principles.

Specifically, we support granting a new regulator both the strong authority and the flexibility needed to oversee the GSEs' safety and soundness. However, we would oppose creating a statutory limit on portfolios.

In recent years, we have witnessed actions by regulators that have strayed far beyond what we would consider prudent regulatory oversight. . Examples of such moves are the OCC preemption of state real estate related lending laws and regulation, and the recent petition to the FDIC to issue regulations that could allow state banks to export their activity authority, including real estate brokerage authority, to other states. These proceedings seem more motivated by politics and charter competition, than by sound regulatory oversight.

We ask that you add safeguards to ensure that the regulatory authority will be appropriate and not weaken the GSEs housing mission.

• Conclusion

As we did two years ago, REALTORS® applaud the Committee's current efforts to build a more robust GSE regulatory structure. Targeted reform should strengthen our housing finance system, benefiting all who participate in it.

REALTORS® believe very strongly that any consideration of regulatory reform proposals should not become a reason or justification for rewriting the GSEs' housing mission or weakening the housing finance system. The first priority of any legislation should be to do no harm to the housing mission, charter, or status of the GSEs.

REALTORS® look forward to working with Congress to enact meaningful GSE legislation.

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