PRESS RELEASE

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Rep. Miller Helps Secure Passage of Landmark GSE Reform

Washington, DC – This afternoon, the full House approved legislation cosponsored by Congressman Miller that would enact landmark reforms to the regulation of Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks. The bill provides for a strong regulator for these government-sponsored enterprises (GSEs) so that investors and the markets can be assured that these companies operate in a safe and sound manner and fulfill the missions of their charters. H.R. 1427, the Federal Housing Finance Reform Act of 2007, passed by an overwhelming margin of 313 to 104 and now heads to the Senate for further consideration.

Following passage of this legislation, Congressman Miller noted, “The bill approved today creates a fully empowered, independent, world-class regulator that can deal with any safety and soundness issues that might arise. GSEs have been at the forefront of creating affordable housing opportunities for American families and this bill will ensure that these successes continue for years to come.”

Included in H.R. 1427 is language inserted by Congressman Miller to ensure that homebuyers in high-cost areas can at long last take advantage of the mortgage products offered by Fannie Mae and Freddie Mac. Under current law, these entities can purchase mortgages up to the conforming loan limit, which for 2007 is $417,000. However, for high-cost areas of the country, the price of even entry-level homes exceeds this amount. Congressman Miller’s provision gives the regulator the authority to set conforming loan limits based on an area’s median home price, capped at 150 percent of the national conforming loan limit. The result is that fewer Southern California homebuyers would be forced to select riskier or costlier mortgage products.

Additionally, Congressman Miller helped secure passage of an amendment clarifying the extent of the new regulator’s authority to limit the size or growth of a GSE’s portfolio. Specifically, this language makes clear that the regulator has the authority to limit the portfolios of the GSEs only to specifically address any safety and soundness or mission concerns with respect to the institution. This clarification is important to ensure the new regulator does not reduce the portfolios of the housing GSEs for other reasons, which would have negative consequences, including reducing the flow of capital into the U.S. housing finance system. Portfolio changes have a direct impact on the availability and cost of mortgages in the housing finance system by limiting GSE activity, reducing the range of available GSE products and programs, and increasing the cost of mortgage borrowing.

“This is a significant legislative victory for the people of Southern California,” said Congressman Miller. “This bill substantially increases the mortgage options available to the people of our region and it stands to reduce the average Southern California homebuyer’s mortgage payment by as much as $135 per month. I am extremely proud that the House has taken this important step.”

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