



CONGRESSMAN GARY G. MILLER

PRESS RELEASE

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Representatives Gary G. Miller and Carolyn McCarthy Introduce Legislation to Overhaul and Stabilize the Mortgage Finance System

WASHINGTON, DC – On July 6, 2011, Congressman Gary G. Miller (CA-42), along with Congresswoman Carolyn McCarthy (NY-04), introduced H.R. 2413, the Secondary Market Facility for Residential Mortgages Act of 2011, comprehensive legislation to reform our nation's housing finance system. H.R. 2413 eliminates Fannie Mae and Freddie Mac, and replaces them with the Secondary Market Facility for Residential Mortgages, a sustainable entity that will issue and guarantee Mortgage Backed Securities (MBS). This Facility will enable the flow of credit from the secondary market to the primary mortgage market for creditworthy borrowers.

Congressman Miller said, "As we have seen during the recent crisis, when housing prices fall and liquidity in the market dries up, homeowners wishing to sell find it difficult to do so and prospective homebuyers with solid credit are unable to attain financing. This comprehensive legislation ensures a stable and healthy housing market that will benefit millions of American taxpayers. By retaining elements of the current system that work and eliminating those that don't work, this proposal will appropriately reduce the role of the federal government in the housing finance system, limit taxpayer exposure, and eliminate the current uncertainty permeating the housing market."

Miller went on to say, "It is absolutely imperative to eliminate the conflict that is inherent in a model where the private sector benefits from a government guarantee. Unlike the GSE structure, where profits flowed to shareholders, all Facility profits will go to the Treasury. While the government will profit from the Facility created in this bill, no taxpayer dollars will go to the Facility's operation."

Miller continued, "There is no question that we need to bring private capital back into the housing market. This bill creates a system where private capital will be the dominant source of mortgage credit and recognizes the central role played by securitization in attracting that capital from investors. The Facility merely provides a mechanism to facilitate the flow of private mortgage capital."

Congresswoman McCarthy said, "Stabilizing the housing sector is a vital component to moving the broader economy forward. We need to look toward a solution that provides long term sustainability and certainty to the housing market. This legislation is a solid step in that direction and is a good balance between sound mortgage underwriting, consumer protection, and confidence in the housing market."

H.R. 2413 includes safeguards against political interference over pricing and mortgage quality and implements strict underwriting standards to protect against the tendency of markets to push boundaries. The bill limits the Facility's market share to ensure the Facility does not dominate the marketplace. The bill contains several layers of protections for taxpayers. In addition to the protection of sound underwriting, including downpayment and documentation requirements, and the collateral of the home, these layers include: an approval process for lenders who sell mortgages to the Facility, requirements for only safe and sound mortgages to be purchased by the Facility, Guarantee Fees from lenders selling residential mortgages to the Facility and Reinsurance Fees from investors to go into a Reinsurance Fund at Treasury.

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