

## **Housing Wire**

### **Senate set to hear proposals for housing finance future**

**by JON PRIOR**

Wednesday, March 23rd, 2011, 10:44 am

The Senate Banking Committee will hear proposals March 29 for replacing Fannie Mae and Freddie Mac in a new housing finance system.

In February, the Treasury Department proposed winding down the government-sponsored enterprises and gave Congress three possible options for what could replace them. Following the report, Treasury Secretary Timothy Geithner urged Congress to pass legislation within the next two years.

And both chambers have started the reform process.

House Republicans re-introduced a bill that would end Fannie and Freddie conservatorship in two years. The Senate Banking Committee will hear testimony from three influential policy shapers.

The first will be Mortgage Bankers Association Chairman Michael Berman, who supported the white paper when it was released. The MBA's own proposal, released more than one year ago, includes a return of private capital, while the government would continue to explicitly guarantee lower-risk mortgage-backed securities.

Janneke Ratcliffe, a senior fellow for the Center for American Progress, also will testify. In January, the group released its own proposal, as well, that would set up chartered mortgage institutions guaranteeing principal and interest payments on MBS. These CMIs would outnumber the previous GSEs and would be private institutions.

Finally, Moody's Analytics Chief Economist Mark Zandi will offer his proposal to the senators. Just before the Treasury white paper came out, Zandi released one of his own. In Zandi's hybrid housing system, the private sector would fund most of the mortgages in the country, but the market would be guaranteed against catastrophe by the government.

Testifying before the Senate Banking Committee in March, Geithner reiterated the Obama administration's approach. Whatever the future housing finance system will be, the private sector will fund it and will take whatever losses may come from it, he said.

"The administration is committed to a system in which the private market — subject to strong oversight and strong consumer and investor protections — is the primary source of mortgage credit," Geithner said. "We are committed to a system in which the private market — not American taxpayers — bears the burden for losses."