



April 22, 2014



U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510



Dear Members of the Senate Banking Committee:

We, the undersigned organizations and individuals, representing millions of Americans, urge you to reject the Johnson-Crapo housing finance reform bill, as it does not constitute real "reform," but an expansion of the type of government intervention that fueled the housing crisis in the first place.



We believe the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, whose debts are implicitly guaranteed by the federal government, should be phased out. But the answer is not to replace them with a new federal entity, the Federal Mortgage Insurance Corporation, which would give explicit guarantees to trillions of dollars of mortgages, as Johnson-Crapo would do. The increase in moral hazard and taxpayer risk should be clear.



Further, Johnson-Crapo creates housing "trust funds" not subject to Congressional oversight, and contains very few safeguards to keep those funds' money from being diverted for political purposes. The notorious, now-defunct Association of Community Organizations for Reform Now (ACORN) was found by a government inspector general to have misused housing grants for political activity. Without oversight, other groups could similarly misuse taxpayer dollars under the new "trust funds."



Finally, Johnson-Crapo violates shareholder rights by empowering the government to continue to claim GSE profits in perpetuity, even after taxpayers have been paid back. This would wipe out Fannie and Freddie's private shareholders, including community banks, pension funds, and individual investors. While no one should be guaranteed a return on investment, federal law should respect GSE shareholders at the same level as state corporate law in liquidations and reorganizations.



We urge you to reject Johnson-Crapo as currently written, and instead



pursue reform that restores the private housing market by reducing overregulation from laws such as Dodd-Frank. To get the private sector investing in housing once again, any such reform must respect shareholder rights.



Sincerely,



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