**Banking Committee Senators Introduce Legislation to Modernize and Reform America’s Broken Housing Finance System**

*Bill Protects Taxpayers, Winds Down Fannie Mae & Freddie Mac, Preserves Mortgage Market Liquidity*

WASHINGTON—U.S. Senators Bob Corker, R-Tenn., Mark Warner, D-Va., Mike Johanns, R-Neb., Jon Tester, D-Mont., Dean Heller, R-Nev., and Heidi Heitkamp, D-N.D., all members of the Senate Banking, Housing and Urban Affairs Committee, today introduced legislation to strengthen America’s housing finance system by replacing government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac with a privately capitalized system that preserves market liquidity and protects taxpayers from future economic downturns.

“Five years after the financial crisis, it is past time for us to modernize our unstable system of housing finance,” said Corker. “The framework we’re presenting here will protect taxpayers while maintaining market liquidity, and is the best opportunity we’ll have to finally move beyond the failed GSE model of private gains and public losses.”

“Housing finance is the last piece of unfinished business remaining after the 2008 economic meltdown,” Sen. Warner said. “We have designed thoughtful reforms that will protect taxpayers from future downturns while responsibly preserving the availability of the 30-year fixed-rate mortgage for homebuyers. We believe the housing market is ready for reforms like this, and that the private sector has been waiting for new rules of the road.”

Johanns

Tester

“Much of the difficulty Nevadans are facing today can be traced back to the collapse of the housing market,” said Senator **Dean Heller**. “My state and Americans across the country cannot wait any longer for Congress to finally tackle a major contributing factor to 2008 economic downturn. I look forward to working with my Republican and Democratic colleagues to address this piece of the puzzle and prevent another devastating housing crisis in the future.”

Heitkamp

In 2008, Fannie Mae and Freddie Mac were taken into government conservatorship and given a $188 capital injection from taxpayers to stay afloat. As a result of this bailout, the private market has almost completely disappeared, and so nearly every loan made in America today comes with a full government guarantee.  Despite this unsustainable situation, there has still been no real reform to our housing finance system since the financial crisis.

**The Housing Finance Reform and Taxpayer Protection Act:**

* Mandates 10 percent capital, up front, for the system to protect taxpayers against future bailouts.
* Winds down Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA) within five years of bill passage.
* Transfers appropriate utility duties and functions to the modernized, streamlined, accountable Federal Mortgage Insurance Corporation (FMIC), modeled in part after the FDIC.
* Replaces the failed “housing goals” of the past with a transparent and accountable market access fund that focuses on ensuring there is sufficient decent housing available. The fund is NOT paid for with tax dollars, but through a small FMIC user fee that only those who choose to use the system pay.
* Ensures institutions of all sizes have direct access to the secondary market, so local banks and credit unions aren’t gobbled up by the mega banks when Fannie and Freddie are dissolved.

A section-by-section and bill text are available here.

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