

Castle Supports New Low-Income Housing Fund and New Oversight of Housing Finance System -- May 22, 2007

Washington D.C. -- Delaware Congressman Mike Castle today helped pass legislation to create a new independent agency to regulate government-sponsored enterprises (GSEs) -- Fannie Mae, Freddie Mac and Federal Home Loan Banks -- which expand the supply of home mortgage money by buying mortgages from lenders. The new agency would have authority to oversee the operations of the three mortgage entities. The measure also requires that a portion of Fannie Mae's and Freddie Mac's profits be put in a new affordable housing fund to help low-income families buy homes.

The Federal Housing Finance Reform Act creates an affordable housing fund to be managed by the FHFA, from 2007 through 2011, by requiring Fannie Mae and Freddie Mac to contribute 1.2% of their total outstanding mortgages. Of that contribution, 75% of the funds would be used for the affordable housing fund, and 25% would be allocated to the federal government to keep the bill deficit neutral. In the first year of the funds operation, 75% of the funds would go to Louisiana and 25% would go to Mississippi. Only very-low and extremely-low income families would be eligible for these funds, which could be used for rental housing, homeownership, and public infrastructure activities in conjunction with housing.

"Today's legislation takes steps to address serious accounting and management weaknesses at Fannie Mae and Freddie Mac by strengthening GSE regulator authority-- oversight which is long over-due. With these improvements and the establishment of a low-income housing trust fund, I believe this bill will enable us to make some progress on the serious affordable housing shortages in our country for low-and moderate-income families. I urge the Senate to make this bill a priority for consideration," said Congressman Castle.

The Federal Housing Finance Reform Act of 2007 (H.R. 1427) includes the following provisions:

- Replace HUD's Office of Federal Housing Enterprise Oversight (OFHEO) with a new, independent regulator for the GSEs - the Federal Housing Finance Agency (FHFA). The FHFA will regulate Fannie Mae and Freddie Mac with bank regulator-like power.
- Enable the FHFA to establish minimum capital levels, set limits on the GSEs' lending portfolios, approve GSE programs and oversee their mission requirements, set annual GSE purchase goals for low-income single-family housing, and establish additional goals to

increase mortgages that finance rental units for low-income families.

- H.R. 1427 also takes an annual percentage of the GSE's outstanding mortgage assets and transfers them into a newly created and affordable housing fund for very low and extremely low income families.

- Require Fannie Mae and Freddie Mac to establish and contribute a portion of their profits to an affordable housing fund, which will be modeled after the highly successful Federal Home Loan Bank Affordable Housing Program. According to the Delaware State Housing Authority, Delaware would receive a little over \$1 million each year through this Affordable Housing Fund.

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