

United States Senate

WASHINGTON, DC 20510

May 5, 2006

The Honorable William H. Frist, MD
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Richard C. Shelby
Chairman, Banking, Housing and Urban Affairs Committee
United States Senate
Washington, DC 20510

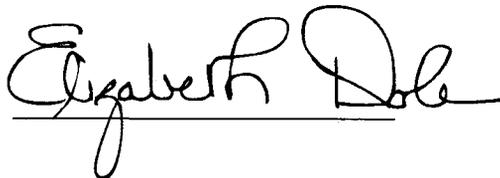
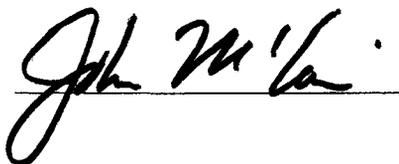
Dear Majority Leader Frist and Chairman Shelby,

We are concerned that if effective regulatory reform legislation for the housing-finance government sponsored enterprises (GSEs) is not enacted this year, American taxpayers will continue to be exposed to the enormous risk that Fannie Mae and Freddie Mac pose to the housing market, the overall financial system, and the economy as a whole. Therefore, we offer you our support in bringing the Federal Housing Enterprise Regulatory Reform Act (S. 190) to the floor and allowing the Senate to debate the merits of this bill, which was passed by the Senate Banking Committee.

Congress chartered Fannie and Freddie to provide access to home financing by maintaining liquidity in the secondary mortgage market. Today, almost half of all mortgages in the U.S. are owned or guaranteed by these GSEs. They are mammoth financial institutions with almost \$1.5 Trillion of debt outstanding between them. **With the fiscal challenges facing us today (deficits, entitlements, pensions and flood insurance), Congress must ask itself who would actually pay this debt if Fannie or Freddie could not?**

Substantial testimony calling for improved regulation of the GSEs has been provided to the Senate by the Treasury, Federal Reserve, HUD, GAO, CBO, and others. Congress has the opportunity to recommit itself to the housing mission of the GSEs while at the same time making sure the GSEs operate in a manner that does not expose our financial system, or taxpayers, to unnecessary risk. It is vitally important that Congress take the necessary steps to ensure that these institutions benefit from strong and independent regulatory supervision, operate in a safe and sound manner, and are primarily focused on their statutory mission. More importantly, Congress must ensure that the American taxpayer is protected in the event either GSE should fail. We strongly support an effort to schedule floor time this year to debate GSE regulatory reform.

Sincerely,



J. R.

Wayne Allard

Jim Bunning

Rick Santorum

Paul Ryan

Tom Blunt

Jay Byrnes

Jim Cooper

Jeff Sessions

Mike Cryer

Tom Kyl

Bill Markey

John Thune

John Ensign

Jim DeMint

Don A. Coburn