Disclosure Bill Testing Sympathies With GSEs ;
Foes say they don't tell enough; others say, Enough already BY TOMMY FERNANDEZ

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With pressure on Fannie Mae and Freddie Mac mounting on many fronts, industry players find themselves having to declare whether they stand with or against the secondary mortgage giants.

Now it's a battle over a bill introduced by Reps. Christopher Shays, R-Conn., and Edward Markey, D-Mass., that is pressuring trade groups as well as legislators to take sides.

At issue is whether Fannie and Freddie should be required to register with the Securities and Exchange Commission on all the securities they issue. The government-sponsored enterprises' charters exempt them from registration, but the bill would rewrite those charters to require it. Though to some the requirement is reasonable and even necessary, it has its opponents ranging from California Democratic Rep. Maxine Waters to the National Association of Home Builders.

The push for SEC registration is being made in the name of financial disclosure, with many critics asking why Fannie and Freddie should not be required to make the same disclosures as all other public companies, particularly after the accounting debacle at Enron Corp.

"It is pretty outrageous that these two companies are exempt from disclosure," Rep. Shays said in an interview Friday. "It defies logic. The fact that they are so opposed to this bill makes me absolutely intrigued and somewhat suspicious."

The Connecticut Republican said the issue is simply about disclosure, which he said is particularly important after Enron, and because Fannie and Freddie deal "in a trillion dollars worth" of transactions.

"To think that somehow we would ask this of everyone else but Fannie and Freddie speaks volumes," he said. "I happen to like Fannie Mae -- I don't like the fact that they don't want to disclose."

But those who are against the bill, which was introduced in March, argue that the GSEs already disclose more information than most companies of comparable size.

More important, they say, mandating that Fannie and Freddie -- which buy more than half of the home loans originated in the United States -- register every security with the SEC would hinder the mortgage lending and real estate markets.

Gary Gordon, an analyst with UBS Warburg, said that the registration requirement may seem minor but that any change would have to be structured so as not to affect mortgage flow.

"Fannie and Freddie are literally issuing paper every day," Mr. Gordon said. "To have them refile each day and wait for a review of every piece of paper would be a disaster." Any delay in the GSEs' issuance would cause a major problem in the industry, he said. "Wall Street and lenders would be up in arms."

He said that both Fannie and Freddie already provide enormous amounts of data and that he gets better information from them than any of the other companies that he follows, all of which file with the SEC.

"Anybody who wants the information has access," he said. "There's tons of data floating around. Does it really make a difference if they put it in a mail pouch and send it over to the SEC?"

Freddie Mac spokeswoman Sharon McHale said the bill would provide no benefit to consumers. "From what Rep. Shays continues to say, the issue is one of disclosure. The fact of the matter is that repealing the SEC exemption would do nothing to improve" that, she said.

Repealing the exemption "would introduce unnecessary inefficiencies and have negative consequences on the market," Ms. McHale said. "Congress specifically gave us SEC exemptions for the purpose of ensuring that the secondary market would be as streamlined and as efficient as possible." If the exemption is removed, she said, it would become costly and difficult -- "or outright impossible" -- to lock in their interest rates.

A recent letter-writing campaign would indicate that more and more lawmakers and trade groups are aligning with the GSEs.

Last week 11 members of Congress co-signed a letter with Rep. Bob Ney, R-Ohio, that said the proposed legislation would "unnecessarily risk unsettling the best mortgage market in the world -- resulting in needless market inefficiencies and higher consumer costs."

Four other members and 22 industry and political groups also sent letters opposing the bill. Besides the home builders, the groups included the National Association of Realtors, America's Community Bankers, and the National Urban League.

But in a letter to all House members, Reps. Shays and Markey noted that borrowers can "lock in" interests rates every day in the jumbo mortgage market -- in which Fannie and Freddie cannot purchase loans -- and that all the jumbo lenders register with the SEC. Fannie and Freddie "are more than capable of absorbing the same costs of issuing securities that are borne by every other" publicly traded company, his letter said.

Four other representatives co-signed Rep. Shays letter, including Rep. Jan Schakowsky, D-Ill.

In addition, the Council for Citizens Against Government Waste, the Consumers Union, and the

National Taxpayers Union, among other groups, sent a letter to House members supporting the bill.