

Lawmakers, OFHEO Close Ranks on GSE Registration

Rob Blackwell - The American Banker

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WASHINGTON, DC - Lawmakers on Wednesday reiterated calls for Freddie Mac to register its stock and debt under federal securities laws, and its regulator threatened to require such registration if legislation to do so fails.

Rep. Edward J. Markey, D-Mass., a co-author of a bill to remove Fannie Mae and Freddie Mac's long-standing exemption from registration, hammered Freddie's chief financial officer at a House Energy and Commerce subcommittee hearing on the company's accounting scandal.

Rep. Markey charged that Freddie had lied in the past about being at the forefront of disclosure and said its voluntary commitment to register under one of two major securities laws was insufficient.

"You understand no one trusts Freddie Mac anymore," Rep. Markey told Martin Baumann. "No one trusts the numbers. They don't trust you saying that you are voluntarily going to do something. A voluntary commitment is like an oral commitment -- they are not worth the paper they are not printed on."

The two housing government-sponsored enterprises agreed in July 2002 to voluntarily comply with the Securities Exchange Act of 1934 by filing the same information other publicly traded companies do, such as annual reports and proxy statements. Only Fannie has actually registered. Freddie, which was forced to restate three years' earnings when its accounting misdeeds were discovered, is not expected to do so until next year.

Some lawmakers are still pushing for the GSEs to comply with the Securities Act of 1933, which requires that publicly traded companies register their debt and equity with the Securities and

Exchange Commission.

Mr. Baumann repeated the GSEs' argument that such filings would harm the mortgage market.

"It would not be good for consumers," he said. "It would increase the cost of mortgages to homeowners."

Rep. Janice D. Schakowsky of Illinois, the lead Democrat on the subcommittee, urged Mr. Baumann to reconsider.

Office of Federal Housing Enterprise Oversight Director Armando Falcon Jr. told reporters after the hearing that he would take action if Congress did not.

"If the exemptions are not repealed, we will move ... to implement a series of mandatory disclosure requirements," Mr. Falcon said. "Our review of Freddie Mac indicated that best practices require a mandatory system of disclosures -- not just on the financial statements but on their debt and equity investments."

Rep. Markey said at the hearing that he had asked Freddie for a copy of a draft SEC filing it submitted in 2002, but that he had not received it. Mr. Baumann denied that Freddie had received such a request but said he would look into it.