

# House Appropriations Subcommittee on Financial Services and General Government Holds Hearing on President Obama's Fiscal 2011 Budget Request for the Treasury Department

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CULBERSON

Thank you

Mr. Secretary, I wanted to ask about Freddie and Fannie in particular. I know that the Congress had put limits on the liability of the taxpayers and that Treasury had the authority to do so and lifted, I think, those caps on the amount of the exposure, but we have not yet seen a reform proposal out of the administration.

And the scale of the losses, of course, at Freddie and Fannie are both immense. This is a very scary situation, and as a fiscal conservative, I certainly don't like to see the taxpayers put on the hook for this, particularly in an unlimited way.

Would you, if you could, tell us what the administration's timeframe is? Why are we still waiting to see reform of Freddie and Fannie? And what will it entail to help provide protection for your kids and my kids?

GEITHNER:

What we have suggested, Congressman, is that we -- we're going to put out in the public domain, I'm going to testify in a few weeks on this, some broad objectives and principles to guide reform. We're going to put out a set of broad questions on strategy for public comment.

This is a very complicated issue. As you know, it doesn't just involve Fannie and Freddie. We want to take a careful look at the entire set of government agencies that act in the housing market now, and that set up policies that helped contribute to this terrible crisis. And our expectation now is that as we go through that process of public hearing and comment, we'll put together some proposals for reform that we present to the Congress next year.

Now, you've asked a legitimate question, which is why not now. And I'll just be honest with you. You know, we're doing a lot of things. We just have a lot going on, and we thought to do it well and do it carefully and do it right, we wanted to go through a process of more careful reflection. If we rushed it, the risk is we would not achieve enough and not get consensus on something sweeping enough.

But I'll tell you, my personal commitment is we're going to need fundamental reform of the government's role in the housing market, not just in Fannie and Freddie and their future, but looking across the whole range of other policies and instruments. And what we allowed happen

was again a national tragedy. It was avoidable and we should have never have let those institutions get themselves in a position where they took on that much risk without capital to back them, without credible oversight, and with that degree of moral hazard. It's a terrible thing. It's going to require comprehensive reform to change it.

CULBERSON

The sooner the better, of course, and unlimited liability is a real concern.