



Thomas A. Schatz
President

April 1, 2011

U.S. Senate
Washington, D.C. 20510

Dear Senator,

Senators John McCain (R-Ariz.) and Orrin Hatch (R-Utah) recently introduced S. 693, the GSE Bailout Elimination and Taxpayer Protection Act. On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to support this important legislation.

Congress laid the groundwork for the collapse of Fannie Mae and Freddie Mac through subsidized housing policies and ill-considered affordable housing goals. As a result, Fannie and Freddie went belly-up, leaving taxpayers with an expensive mess. While lawmakers have been focused on Wall Street reform, little has been done to address the failed mortgage giants that played such pivotal roles in the nation's economic collapse.

The GSE Bailout Elimination and Taxpayer Protection Act would establish an orderly transition period to end the conservatorship of Fannie Mae and Freddie Mac, both of which are government-sponsored enterprises (GSE), and eventually require each to operate without government subsidies and compete with the private sector on a level playing field.

S. 693 would end conservatorship of Fannie and Freddie two years from the date of enactment. If at the end of conservatorship a GSE is deemed not financially viable, the Federal Housing Finance Agency (FHFA) must place the GSE into receivership. If a GSE is deemed financially viable, it will be allowed to re-enter the market under new operating restrictions for a maximum of three years until that GSE's charter expires. At that point, the GSE will be required to conduct all new operations as a private entity without government advantages.

The legislation would establish new operating restrictions post-conservatorship including repealing of the affordable housing goal mandate and the Affordable Housing Trust Fund; capping the GSEs' maximum portfolio size at \$700 billion and gradually reducing that cap to \$250 billion over five years; conforming loan limits to pre-housing crisis standards; repealing of the exemption allowing GSEs to avoid paying state and local taxes; repealing of the exemption allowing GSE securities to avoid full Securities and Exchange Commission registration; and prohibiting the reduction of senior preferred stock dividends promised to taxpayers under their conservatorship.

I strongly urge you to support the GSE Bailout Elimination and Taxpayer Protection Act. The fate of Fannie Mae and Freddie Mac can no longer be ignored. If Congress acts now, taxpayers could be spared the burden of impending future financial disasters. All votes on S. 693 will be among those considered in CCAGW's *2011 Congressional Ratings*.

Sincerely,

A handwritten signature in black ink that reads "Thomas Schatz". The signature is written in a cursive, slightly slanted style.

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