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OPINION

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Senator Crapo's Housing Reform Plan Protects Taxpayers, Maintains Housing Affordability

By Lieutenant Governor Brad Little

For the past several months I have been traveling all of Idaho's 44 counties, speaking with folks from across our state. The common theme I hear is alarm over the ballooning federal debt, and the fact Congress and the Obama Administration have been unable to tackle this looming crisis.

One set of liabilities— often overlooked but at the heart of the 2007-8 financial crisis— is the federal government's guarantee of trillions in new and existing mortgage bonds in the housing market.

The subsidized housing system, the primary cause of the recession, remains an outstanding issue for taxpayers. An undeniable fact is the prominent role that the public sector and the government-sponsored Fannie Mae and Freddie Mac played in creating an unsustainable market for houses. At the height of the bubble, Fannie and Freddie were holding just 45 cents in capital for every \$100 in mortgages they guaranteed. When these mortgages defaulted, U.S. taxpayers ended up bailing these institutions out.

Six years later nothing has changed. The federal government still manages and holds a sizeable financial stake in Fannie and Freddie. Since 2008, the federal government has controlled no less than 95 percent of the housing finance market in a given year. Nine out of 10 mortgages today are guaranteed by you and me.

Taxpayers should not be on the hook for the \$5 trillion (and growing) of outstanding American mortgage debt.

Idaho Senator Mike Crapo and South Dakota Senator Tim Johnson, the two ranking members of the Senate Banking committee, introduced legislation to reform this broken system earlier this year. This bill would finally wind down and eliminate Fannie Mae and Freddie Mac over a five year period. Currently, we taxpayers are first in line to pay for any loss on almost every mortgage bond in America. But Senator Crapo's plan provides multiple walls of protection for the American taxpayer, ensuring the

private market— not hardworking Americans— is the primary backstop for any downturn in the mortgage market. The plan would solve the problem by ensuring these private institutions guaranteeing mortgages hold enough cash to cover any future losses and thus prohibit any future taxpayer-funded bailout.

Last week, the plan passed the Senate Banking Committee. Despite bipartisan support, the Democratic-controlled Senate under Harry Reid will likely not take up this reasonable reform to our dysfunctional mortgage market, again kicking the can down the road on another critical federal fiscal issue.

Just like entitlement reform, this plan has come under attack from several special interest groups. While these attacks are frustrating to hear, they are not surprising. Many different groups have vested interest in our current failed housing system.

Idahoans want to know who is standing up for the taxpayer? I believe it is Senator Crapo and his noble and diligent efforts to reduce taxpayer liabilities by bringing the private sector into the housing market, while safeguarding the financial availability of affordable mortgages for all Americans.

I applaud Senator Crapo once again for his efforts at constructive, bipartisan solutions on difficult federal fiscal issues, and ask my fellow Idahoans to support his efforts.

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