

October 10, 2008

**SETTING THE RECORD STRAIGHT:**  
*Republicans' True Record of Failure to Reform  
Fannie Mae and Freddie Mac*

The following questions and answers counter inaccurate GOP assertions about the origins of the financial crisis:

*Q. When Republicans controlled the Congress and the White House, did Democrats stand in the way of stronger regulation of Fannie Mae and Freddie Mac?*

**Democratic Record:**

No. As soon as Democrats took over the House, we passed comprehensive GSE reform by a bipartisan vote of 313 to 104 in May 2007. When Democrats sought to include these critical reforms in the economic stimulus at the beginning of the year, the Bush Administration balked. Democrats enacted comprehensive reform in July 2008 that was signed into law, after overcoming Republican filibusters in the Senate.

The facts are clear: every meaningful reform of housing finance has occurred under a Democratic Congress. Before this Congress, the last law enacted to reform the regulation of Fannie Mae and Freddie Mac was in 1992 – when the Democrats controlled the House and Senate.

**Republican Record:**

In six years of complete control in Washington, and 12 years of legislative control, the Bush White House and Republican Leaders in Congress failed to enact meaningful reform of Fannie Mae and Freddie Mac.

As a matter of fact, in 2005, when the former chairman of Financial Services Committee, Republican Mike Oxley, finally pushed for responsible reform, he was opposed by the Bush Administration and some Republicans in Congress. Oxley, now vice-chairman of NASDAQ, said recently: “the critics have forgotten that the House passed a ... reform bill in 2005 that could well have prevented the current crisis. All the handwringing and bedwetting is going on without remembering how the House stepped up on this. What did we get from the White House? We got a one-finger salute.” [*Financial Times*, 9/9/08]

***Q. Did the Community Reinvestment Act -- promoting lending in low and moderate income neighborhoods -- cause the subprime mortgage crisis that is the root of the more widespread financial crisis?***

A. No. The Community Reinvestment Act does not apply to the institutions that made the vast majority of troubled loans underlying the crisis – it applies only to depository institutions, such as banks and savings and loans, which are subject to more stringent regulation than many of the unscrupulous lenders that engaged in predatory lending practices. Experts estimate that 80 percent of high-priced subprime loans were offered by financial institutions that are not subject to the CRA.

Former Fed governor Ned Gramlich praised CRA, saying last year that "banks have made many low- and moderate-income mortgages to fulfill their CRA obligations, they have found default rates pleasantly low, and they generally charge low mortgages rates. Thirty years later, CRA has become very good business." Studies by the Federal Reserve and others have shown that CRA increases lending and homeownership in poor communities without undermining banks' profitability.

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