



May 22, 2003

Dear Member of Congress:

The undersigned taxpayer watchdog groups urge you to join U.S. Reps. Chris Shays (R-Conn.) and Ed Markey (D-Mass) as co-sponsors of H.R. 2002, the "Leave No Securities Behind Act." The bill that would close a gaping hole in U.S. financial disclosure laws.

In July 2002, under public pressure, the nation's two largest housing government-sponsored entities, Fannie Mae and Freddie Mac, agreed to provide the Securities and Exchange Commission (SEC) with detailed information about their common stocks. That agreement, however, did not apply to the GSE's mortgage-backed securities, or MBS, portfolios. H.R. 2022 would close that loophole and make that voluntary agreement law.

Fannie Mae and Freddie Mac benefit from \$10.6 billion in federal subsidies annually. The two GSEs either own or guarantee more than 40 percent of the U.S. mortgage market. They purchased 68 percent of all mortgages originated in the first quarter of 2002. The companies have securities outstanding of \$1.3 trillion and have guaranteed another \$1.8 trillion in mortgage-backed securities. Clearly, two companies of such size and sway over the entire economy should not be permitted to decide autonomously when and what to disclose.

Contrary to the claims of GSE executives, the "Leave No Securities Behind Act" will not impair the efficiency of the nation's mortgage markets and will have no negative impact on consumers. A joint Treasury Department, Office of Federal Housing Enterprise Oversight, and SEC report issued in February 2003 stated that "enhanced disclosure could better enable investors to analyze and predict prepayments and other risks, which may help them to make more informed investment decisions." Federal Reserve Chairman Alan Greenspan has stated on several occasions that Fannie Mae and Freddie Mac should be treated like any other publicly-traded company.

H.R. 2022 will protect both investors and taxpayers. At a time when the adequacy of corporate governance and the importance of full disclosure are high on the public's agenda, we believe that Fannie Mae and Freddie Mac should no longer be allowed to escape established transparency rules. We urge you to co-sponsor H.R. 2002.

Sincerely,

Thomas Schatz  
The Council for Citizens Against Government Waste

John Berthoud  
National Taxpayers Union

Danielle Brian  
Project on Government Oversight