U.S. DEPARTMENT OF THE TREASURY

Press Center

Keynote Remarks by Under Secretary for Domestic Finance Jeffrey Goldstein at the Credit Union National Association (CUNA) 2011 Governmental Affairs Conference

2/28/2011
As Delivered

Good morning. Thank you, Paul, for that kind introduction. And a special thanks to Bill Cheney for having me join you here today.

I'm glad to have the opportunity to talk about both the value we believe credit unions add to their communities and the work we are doing to build a strong, stable economy that serves *all* Americans better than it has in the past.

This morning I want to talk briefly about two different issues that are important both to us in the Administration, and to you in the diverse communities you serve across the country.

The first is increasing financial access – an issue we are working to make strong headway on, especially in the aftermath of the financial crisis. Today, too many Americans lack access to basic financial services – an estimated 9 million households are unbanked and another 21 million are underbanked.

Credit unions provide essential opportunities for millions of Americans to access mainstream financial services. Those who lack credit union membership or bank accounts are often left to rely on alternative, high-cost financial service providers to cash checks, pay bills, and send remittances. Working families who already stretch their resources to make ends meet are strained even further by their reliance on these high-cost financial services. On top of day-to-day difficulties, not having a credit union or bank account also prevents families from saving securely, to saving money to buy a home, to preparing for a family illness, or accumulating money for educational expenses for their children.

Title XII of Dodd-Frank – Improving Access to Mainstream Financial Institutions – will encourage initiatives for financial products and services that are appropriate and accessible for the millions of Americans that lack financial access. We are grateful to the many credit unions that supported this key provision.

The President has also requested funding for the Bank on USA program, which utilizes new authorities to assist community-based coalitions that are dedicated to improving access to mainstream financial products for working families. Credit unions are vital participants in Bank On initiatives across the country.

Our goal is to support and enhance these local efforts and promote innovations that will expand access to appropriate, affordable products that better meet consumers' needs. I want to express our deep appreciation for your help in this effort, providing working families with the opportunities that mainstream financial services offer.

The second subject I'd like to spend my remaining time discussing are our continuing efforts to reform the financial system, and the housing finance market in particular.

The financial crisis imparted important lessons that this Administration has been determined to learn and act upon. Within 18 months of taking office – 18 months after job losses peaked at over 750,000 a month – we fought for, and Congress passed, the Wall Street Reform and Consumer Protection Act. This legislation helps make sure our financial system channels savings to finance future innovation and growth; it protects consumers and investors; and it does these things while supporting, not putting at risk, the broader American economy.

An important part of the financial system reform effort is housing finance reform. We are working – with Congress, with stakeholders, and with the public – to design a system of housing finance that is stronger and more stable than it has been in the past.

Over the past two years, the Administration has engaged in widespread outreach to gather a cross-section of perspectives on housing finance reform. We have reached out to citizens and consumer advocates, economists, investors, market researchers, lenders, servicers, and many others, including your representatives. This process is essential to getting the best ideas on the table.

Two weeks ago, Treasury released its report on housing finance that reflects our vision for reform. That vision is one in which the housing market of tomorrow looks dramatically different from the housing market of yesterday.

It is our belief that the flaws exposed during the financial crisis, and the losses that Fannie and Freddie have imposed on American taxpayers, demand nothing less than comprehensive reform. Fannie Mae and Freddie Mac's structure, coupled with a weak oversight regime, permitted them to take risks with taxpayer dollars that should never have been taken.

Even so, we must proceed carefully as we transition to a new system of housing finance. We have a responsibility to balance the pace of reform with the pace of economic recovery and the recovery of the housing market

We believe the government's primary role in the housing market should be limited to several key responsibilities: consumer protection and robust supervision; targeted assistance for low- and moderate-income homeowners and renters; and maintaining the ability to provide for market stability and crisis response.

The Administration is committed to a system in which the private market – subject to oversight and consumer and investor protections – is the primary source of mortgage credit.

And we are committed to a system in which the private market – not American taxpayers – will bear the burden for losses.

This is what our plan will help create.

There is broad agreement that the first thing we have to do to reduce the government's footprint is wind down Fannie Mae and Freddie Mac. We will do so gradually and on a responsible timeline – one that protects taxpayers from further losses and doesn't jeopardize the ongoing recovery in the housing market.

There are a number of policy levers that can be used to wind these two institutions down. They include gradually increasing guarantee fees and increasing down payment requirements – and we will work with FHFA to begin this process.

But reducing the government's footprint is alone not enough. We need to make sure that the system into which we want more private capital to flow is healthier and more stable.

Building a housing finance market in which all Americans can have confidence requires reforms that provide a new set of rules for all the players in the housing finance chain. That means providing clarity on the capital banks must hold against mortgage risks; better protection for consumers and stronger underwriting standards; comprehensive oversight of servicers and others involved in the chain of housing finance; and improved incentives for securitization and clarification on risk retention.

We will implement the Dodd-Frank Act and other reforms in these areas to build a firmer foundation for the market and create an economy that is stronger – and more resilient – than it was before the crisis.

The government also has a responsibility to help ensure all Americans have access to quality housing they can afford. This is a core principle of our plan. But that doesn't mean our goal should be for all Americans to be homeowners. It is not.

Instead, our approach should be rebalanced to provide support to credit-worthy but underserved families who want to own their own home, as well as affordable options for the one-third of Americans who rent.

The Administration stands strongly behind our obligation to help ensure all communities and families have access to an adequate range of affordable housing options and a range of basic financial services, including sustainable mortgage credit.

We recognize that an important part of this is helping to ensure that community banks and credit unions have adequate access to the secondary markets. You provide a key source of access to credit for families and communities.

Finally, as many of you are probably already aware – we've laid out several choices for structuring the government's role in a new, predominantly private housing finance market.

Deciding the best way forward will require an honest discussion about the appropriate role of government over the longer term.

We think it's important to consider several key priorities: access to mortgages, including the future role of the 30-year fixed rate mortgage, limiting risk to taxpayers, and maintaining a stable, healthy mortgage market.

We look forward to having a discussion about the appropriate role of government over the longer term with Congress and other stakeholders over the coming months. We should not wait to have this debate, and I hope we can build on the significant common ground already present to come to a decision in a timely way.

But proceeding with a prudent transition plan – and that includes providing the necessary support to Fannie Mae and Freddie Mac during their wind down – is absolutely essential to protecting the health of the economic recovery, and it is also in the best interests of American taxpayers.

The Administration is confident that, taken together and over time, the approach laid out in this plan will create a market that works better for families, regardless of whether they rent or own; that will work better for borrowers, lenders, and investors; and will work better for the American economy, in which housing plays such an important role.

Before closing, I want to make clear two very important points: We believe housing is central to the broader economy. And it is because of this belief – because we recognize housing's centrality – that we are taking steps to put housing finance on firmer ground. The housing sector should once again be a source of stability for American families and our nation's economy.

And two: we will take the steps I've just discussed with great care. Our objective is a healthier, more stable housing finance system, and while we believe strongly that these steps will get us to that point, unnecessary haste could prove counterproductive. We will not take actions which would disrupt the broader recovery.

I want to thank you again for your engagement in these and other important issues, and congratulate you on the important work you do for communities and families. Thank you for having me here today.