

**TESTIMONY OF LELAND BRENDEL TO THE HOUSE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
DECEMBER 9, 2008**

Mr. Chairman and Distinguished Members of the Committee, my name is Leland Brendsel and I was formerly the Chairman and Chief Executive Officer of the Federal Home Loan Mortgage Corporation, more commonly referred to as Freddie Mac.

I want to thank you for the opportunity to address this Committee as you consider the future of the government sponsored enterprises and their importance to the housing finance system in the United States of America. I believe that we have had the best housing finance system in the world, and that Freddie Mac and Fannie Mae have been vital to its success.

In particular, Freddie Mac and Fannie Mae have been instrumental in ensuring the continued availability of long-term fixed rate mortgages. I hope this hearing will examine the critical importance of those mortgages and Freddie Mac's and Fannie Mae's essential role.

Before I go further, I want to provide a little information on my background. I joined Freddie Mac in 1982 and devoted 21 years of my life to it. I left Freddie Mac in June of 2003, after more than two decades of service, and I have not had any role in the company for over 5 years.

Before I came to Freddie Mac, I was raised on a family farm in South Dakota and attended public schools in the Sioux Falls area. After that, I graduated from the University of Colorado and ultimately earned a Ph.D in financial economics from Northwestern University in 1974.

I spent the next eight years teaching and working as an economist, first at the Farm Credit Administration and later at the Federal Home Loan Bank of Des Moines. But as I mentioned, I spent the bulk of my career at Freddie Mac.

When I joined Freddie Mac in 1982, I served as its Chief Financial Officer. I assumed the role of Chief Executive Officer in 1985. I was elected Chairman of the Board beginning in 1989 when Freddie Mac became publicly owned and listed on the New York Stock Exchange.

By the time I left Freddie Mac in 2003, the secondary market had become a major source of stability and reliability for financing housing and home ownership. Indeed, this is a tribute to the wisdom of Congress in chartering Freddie Mac with the mission of increasing the availability and affordability of mortgage credit by tapping the world's capital markets. Today the secondary market is in distress. Congress and others are rightly considering many proposals for restoring stability. In doing so, I hope that the Congress will take steps, as it has in the past, to ensure the availability

and affordability of the 30-year fixed rate mortgage. These mortgages have not contributed in any meaningful way to the present crisis, but their survival is in jeopardy because of it.

Freddie Mac was chartered by Congress in 1970 to provide stability and liquidity to the secondary market for residential mortgages. When I began at Freddie Mac in 1982, the company was still a small participant in what was an embryonic secondary mortgage market. At that time, savings and loan associations and thrifts were still the primary mortgage lenders, but many of them had recently failed or were failing. The housing and mortgage markets were in turmoil, and homeownership rates were declining. A family trying to buy a home was faced with mortgage interest rates swinging between 13% and 17% for thirty-year mortgages over the course of 1982. Because there was not widespread access to national financial markets, the availability of mortgages depended on the amount of local bank deposits that could be loaned. The application process was arbitrary. This resulted in huge regional disparities and disfavored minority and rural communities.

During the 1980s and 1990s, Freddie Mac played a major role in addressing the deficiencies in the mortgage markets. Freddie Mac broadened the potential sources of financing for residential loans; helped

preserve the 30-year fixed-rate mortgage, which had fallen out of favor with many portfolio lenders; improved the speed, reliability, and cost of underwriting; and increased access to mortgages for minorities and underserved communities. As a result—one of which I am proud—by 2001, Freddie Mac had answered Congress' call by financing homes for thirty million Americans.

I still care deeply about Freddie Mac and its mission, and I share the Committee's concern about how to best protect America's homeowners and communities. I thank the Committee for the opportunity to share my views.