

## BANKING &amp; FINANCIAL SERVICES

**Rep. Campbell Bucks GOP Leadership, Offers Own Fannie-Freddie Solution**

BY BEN WEYL, CQ STAFF WRITER

At least one House Republican on the Financial Services Committee is wary of pulling the government entirely out of the housing finance system.

Generally speaking, the official GOP party line has been complete removal of federal involvement, namely Fannie Mae and Freddie Mac, from the mortgage market. But some lawmakers, particularly those who hail from high-cost areas, have expressed concerns with this approach.

California Republican John Campbell went a step further on Thursday, introducing legislation (HR 1859), with Rep. Gary Peters, D-Mich., to replace Fannie and Freddie with several private companies that would issue mortgage-backed securities explicitly guaranteed by the federal government.

"There's a difference of opinion," said Financial Services Chairman Spencer Bachus, R-Ala.

Bachus said he had not yet read Campbell's bill, and thus would not say whether the panel would mark it up.

Campbell's legislation also comes a day before Rep. Scott Garrett, D-N.J., plans to unveil the next round of incremental, leadership-backed bills designed to gradually phase out Fannie and Freddie, which are known as government-sponsored enterprises (GSEs).

Garrett has kept details of the new bills

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confidential; Bachus said only that they would address additional "shortcomings" of the GSEs.

Despite loudly criticizing Democrats for failing to address Fannie and Freddie during debate over last year's financial regulatory overhaul (PL 111-203) and before the midterm elections, GOP lawmakers have proceeded cautiously since seizing the House majority.

**Full Privatization Still Goal**

Bachus has said his committee's ultimate objective is to approve legislation sponsored by Jeb Hensarling, R-Texas that would fully privatize the GSEs within five years (HR 1182). The panel has yet to consider that bill. Instead, Republicans have employed a multi-bill approach intended to rein in the mortgage giants.

Last month, the Capital Markets and

Government Sponsored Enterprises Subcommittee approved eight measures, including legislation (HR 1224) that would curtail the amount of home loans the companies could purchase and a bill (HR 1222) to increase their guarantee fees, as part of an effort to bring back private capital into the market. Currently the federal government backs more than nine out of 10 new mortgages.

Campbell said his bill offers an alternative to Hensarling's bill.

"You will not have 30-year fixed mortgages. You probably won't have 15-year mortgages," said Campbell, referring to Hensarling's proposal. "It will radically change homeownership and the home market in the country and I don't think in a positive way."

Garrett, who has long supported eliminating government involvement in the mortgage market, was nonplussed with Campbell's offering. "We've seen this movie before and it didn't have a happy ending," he said. "I cannot support a bill that creates more GSEs and puts American taxpayers at risk of more bailouts."

Fannie and Freddie were seized by the George W. Bush administration in September 2008 as the housing sector collapsed and the institutions absorbed huge losses. The companies have since relied on roughly \$150 billion in public funding to stay afloat.

While there is some consensus that the GSEs, in their current form, should be phased out, analysts are just as confident that attempts at an overhaul are unlikely to come any time soon, because the mortgage market is still anemic and because any overhaul would be an enormous political challenge for the Obama administration and the divided Congress.

But Campbell's proposal, or something like it, could see life in the future, in part because industry is supportive of such an approach.

"As Congress moves forward on this issue, which is so vital to our housing recovery, I want to thank the sponsors for putting forward this thoughtful legislation," said Michael D. Berman, chairman of the Mortgage Bankers Association, noting that it "closely mirrors" a similar MBA proposal. ♦

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"As a mother, I have very strong, passionate feelings about protecting all children," Subcommittee Chairwoman Mary Bono Mack, R-Calif., said. "But as a former small-business owner, I know all too well how unnecessary regulations — even well-intentioned ones — can destroy lives, too."

Democrats said that although CPSIA needs revising, the draft legislation went too far.

"The legislation we are marking up today takes a wrecking ball to the law and would endanger children," said Henry A. Waxman, D-Calif.

Beyond the changes to lead standards,

the measure also would modify other aspects of consumer safety law. It would scale back a program of mandatory third-party testing of children's products by mandating the safety commission fulfill requirements, including a cost-benefit analysis, before it could demand testing for all but the most important products, such as cribs or pacifiers.

The measure also would prevent retroactive application of crib standards, and make phthalate limits apply only to "accessible, plasticized component[s]" of children's products.

Several consumers' groups denounced the measure as a step backward; two manufacturing groups represented at the markup endorsed it. ♦

## DEFENSE

## Committee's Vote Affirms Opposition to Closing Guantánamo Prison

BY TIM STARKS, CQ STAFF WRITER

The death of Osama bin Laden has energized debate about the detention facility at Guantánamo Bay Naval Base, but it does not appear to have changed lawmakers' inclination to keep the facility open.

House Armed Services Democrats failed in their bid Thursday to strip Republican language from the fiscal 2012 defense authorization bill (HR 1540) that effectively would keep the facility operational. Meanwhile, a mostly Republican group of senators has introduced its own legislation (S 944) to keep Guantánamo open.

A new poll taken after a U.S. team killed the al Qaeda leader shows Americans now have heightened confidence in President Obama on national security, which in theory could give him leverage with Congress on his plans to close the detention center. According to an Associated Press-GfK poll released Wednesday, 73 percent now trust Obama to handle terrorism threats. But tips from terrorism detainees that helped lead to bin Laden's death also have bolstered arguments for the facility's national security value.

"The events of last week underscore the importance of information we gain from detainees, particularly those at Guantánamo Bay," said Georgia Repub-

## CONSUMER AFFAIRS

## Panel Endorses Delayed Lead Standards for Toys

BY ALEXANDER C. HART, CQ STAFF WRITER

A House Energy and Commerce subcommittee approved draft legislation Thursday that would loosen and delay lead standards for children's toys.

The measure would delay by one year — until August 2012 — implementation of a requirement that lead be at most .01 percent of the weight of a children's product.

The bill, which the Commerce, Manufacturing and Trade Subcommittee approved by voice vote, would narrow the definition of covered products to those that a child could chew and that are intended for children age 6 or younger. However, the measure gives the Consumer Product Safety Commission the authority to apply the standards to other products if it determines they present "an

unreasonable risk to children's health." The measure also would allow selling items that violate the standards so long as they were legal when they were manufactured.

The draft legislation comes as a response to perceived flaws in the Consumer Product Safety Improvement Act of 2008 (PL 110-314) (CPSIA), which tightened standards for lead in children's products after high-profile toy recalls. The law's lead restrictions affected manufacturers and sellers of kid-sized all-terrain vehicles and motorcycles, although Democrats and Republicans alike said that was not intended. The draft legislation would provide a looser standard for metal in children's products that are "intended primarily for outdoor recreational use."

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## Democratic Amendment

The House Armed Services Committee's fiscal 2012 defense authorization bill mirrors the provisions in the current authorization. It also would require the Pentagon to establish a review process for continued detention at the prison.

The panel rejected, 22-38, an amendment offered by ranking Democrat Adam Smith of Washington that would have lifted the ban on trying Guantánamo detainees in civilian courts.

"The United States does not want to be in the business of warehousing low-level terrorists for an undetermined period of time. These are basic principles that this legislation does not recognize," Smith argued. He also sought to capitalize on Obama's newfound popularity. "With the death of Osama bin Laden, this president has demonstrated that he knows what he is doing."

But the overall bill was approved by the committee with strong bipartisan support, 60-1.

A group of 33 House Democrats also objected Wednesday to the bill's provisions on Guantánamo in a letter to Armed Services Chairman Howard P. "Buck" McKeon, R-Calif.

"In our view, restricting the president in this way is unnecessary to promote a robust national security that keeps the American people safe," wrote the House members, including several of the top Democrats on key House committees.

## Senators Seek Status Quo

The senators introduced their new Guantánamo legislation Wednesday but did not make copies available. They did outline the bill's goals, which are similar to those of the House's fiscal 2012 defense authorization bill.

"The legislation reaffirms Guantánamo Bay as a location for detaining unprivileged enemy belligerents held by the Department of Defense, directing the Defense secretary to take actions to maintain GITMO as an operating facility for the detention of current and future terrorists," according to a news release. "It also permanently limits the transfer of detainees to foreign countries and prohibits funding for the construction of terrorist detention facilities within the United States."

The bill is cosponsored by five Senate Republicans, as well as Joseph I. Lieberman, I-Conn. ♦

Eugene Mulero and Joanna Anderson contributed to this story.