

May 14, 2014

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Michael Crapo
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson and Ranking Member Crapo:

The undersigned organizations and institutions, which represent hundreds of thousands of businesses, small and large, from all sectors of the economy employing tens of millions of Americans, write to express our strong opposition to an amendment to S. 1217, the “Housing Finance Reform and Taxpayer Protection Act of 2013,” expected to be offered by Senator Reed of Rhode Island during Committee markup on May 15.

The Reed amendment would require each member of the audit committee of the board of directors (in addition to the chairman of the board and the CEO and CFO) of an approved entity certify in writing – on an annual basis – to the Federal Mortgage Insurance Corporation (FMIC) that they are in compliance with all provisions of S. 1217 and any regulations promulgated pursuant to it.

If adopted, this amendment would likely impose unwarranted burdens on all businesses – particularly small- and medium-sized businesses – and create an excessive focus on short-term actions, thereby distracting the board and management from some of their long-term objectives. These consequences would be to the detriment of the shareholders and customers of approved entities, who would ultimately pay the cost of such requirements. Moreover, the amendment ignores the distinct roles played by management and the board of directors in corporate governance. Boards and their audit committees are not involved in day-to-day management of the company, but rather perform an oversight role, which makes certification by members of the audit committee particularly inappropriate. So too, many chairman of the board are independent directors with no involvement in the day-to-day operation of the company. This amendment also appears to continue a troubling trend towards the federalization of corporate law as it appears to borrow heavily from provisions in the Sarbanes-Oxley Act which have produced a regulatory burden far beyond what Congress originally intended. In this regard, it is important to note that the Sarbanes-Oxley Act requirement for certification of certain SEC filings is only applicable to members of management—chief executive officers and chief financial officers. In fact, coverage of chairman of the board was specifically considered and rejected in connection with the enactment of the Sarbanes-Oxley Act.

For these reasons, the undersigned organizations urge you to oppose the Reed amendment to S. 1217.

Sincerely,

Association for Corporate Growth
Business Roundtable
Electronic Transactions Association
Financial Services Roundtable
Housing Policy Council
Property Casualty Insurers Association of America
U.S. Chamber of Commerce

cc: Members of the Committee on Banking, Housing, and Urban Affairs