if one of these institutions were to fail. This is a risk we simply can't afford to take without giving the U.S. taxpayer every opportunity to ensure safety and soundness—a world-class regulator gives us that.

Last year, the House passed a bipartisan GSE reform bill, and our amendment mirrors that legislation. This amendment is broadly supported by those within the financial sector as well as the Treasury Department and OFHEO. It contains the essential components necessary for overhauling GSE oversight and for providing stability and strength to our housing finance system.

And given Congress's recent action raising conforming loan limits and OFHEO's decision to lower Fannie and Freddie's capital requirements, GSE reform is more critical than ever. We passed an economic stimulus package that increased the maximum size of a mortgage that Fannie and Freddie can purchase this year to almost $730,000 in high-cost areas, and recently OFHEO lowered their capital surplus requirements from 30 to 20 percent.

While I agree that these were necessary steps given the current market conditions, I am very concerned about the additional risk Fannie and Freddie will assume given these changes.

I am committed to ensuring the long-term sustainability of the GSEs and regulatory reform is critical to that effort. In terms of current regulation, OFHEO has done a great job with the tools at its disposal, but the problem is the regulator needs greater powers—like those of other Federal banking regulators. We need a world-class regulator to ensure the GSEs continue to operate in a safe and sound manner and that they remain focused on their affordable housing mission.

One of the most important elements of this proposal is the creation of a new regulator that is both politically independent and funded outside of the appropriations process. In order for this regulator to be credible, they cannot be subject to the annual budget machinations of a committee or the political influence inherent in Washington.

Part of its broad responsibility would be to ensure a more coherent regulatory framework, better enforcement, and a more consistent and aggressive effort on affordable housing. The regulator would have the ability to monitor the agency's portfolios—and direct the enterprises to acquire or sell any asset in order to maintain risk consistent with their missions. The regulator would also have the ability to set both minimum and risk-based capital levels for the GSEs—in other words, the amount of capital an enterprise would be required to hold would be directly related to the amount of risk they have undertaken.

The regulator would posses enhanced enforcement powers and be able to provide prompt corrective action, including the authority to set and enforce prudential management and internal control standards. It would also have the ability to put a GSE into receivership, and exercise a role in the authority over safety, soundness and mission. Finally, it would have a say in new product review and approval.

I know many of my colleagues have concerns that this legislation does not go far enough in its regulation of the enterprises or that the inclusion of an affordable housing fund is nothing more than a ''political slush fund.'' Funds would be allocated to and distributed by the states, rather than the GSEs, under a formula to be developed by HUD.

The most important component of reform legislation is the establishment of a stronger, more credible regulator—which is greatly needed. Homeowners are frustrated and consumers are worried about what lies ahead for our housing market.

We have an opportunity to inject some much-needed confidence into a sagging portion of our economy, and I believe it would be irresponsible to further delay addressing this important issue. Ensuring the soundness of Fannie and Freddie will give market participants the confidence they need to continue investing in mortgage products. That confidence is critical for the proper functioning of our financial markets. In the same bipartisan spirit that helped us come to an agreement on the housing bill, I would urge my colleagues to follow the same course of action in passing this necessary bill.

Ms. SNOWE. Mr. President, I am not only deeply concerned that increasing foreclosures threaten the dream of home ownership, but it is also critical to understand that the housing crisis that the Senate is currently grappling with affects every corner of this country, including both small and large States.

Therefore, I have introduced an amendment that would ensure that States with low populations receive their fair share of the increase in mortgage revenue bond allocations provided for within the Dodd-Shelby substitute amendment.

Under current law, there is a small State floor that sets a minimum level of allocations of mortgage revenue bonds that any one State will receive. These bonds provide State housing finance agencies, like the Maine Housing Authority, that provided $134.4 million of loans to first-time homebuyers in 2006, a financing source for low-cost loans to first-time homebuyers.

It is imperative that we understand the magnitude of mortgage difficulties facing our Nation. By 2009, more than a trillion dollars of mortgages originated during the subprime lending boom will reset to higher interest rates. Currently, according to the Mortgage Bankers Association, 43 percent of subprime ARMs are already in foreclosure. This exceptionally high number is expected to skyrocket over the next year once the next wave of ARM loans reset and borrowers' mortgage payments increase by 30 to 50 percent. In December, the Center for Responsible Lending predicted that 2.2 million families with subprime loans will lose their homes to foreclosure.

High foreclosure rates harm communities, create blighted areas, and stunt local and national economic potential. Consequently, it is in the best interest of all of the parties involved in the subprime crisis that Congress act to preserve home ownership, and minimize foreclosures.

Appropriately, the housing stimulus legislation currently before the Senate extends for 2008 the availability of these low-cost mortgages to refinancings in addition to first-time homebuyers. This proposal, based from legislation, S. 2517, introduced by Senator SMITH, and of which, I have joined as a cosponsor, will help provide a low-cost refinancing alternative to those struggling to meet their payment obligations as their subprime loans begin to reset. It only makes sense to offer such an alternative to foreclosures.

Additionally, the proposal increases the authorization level of the tax-exempt mortgage revenue bonds by $10 billion for 2008. But, however, the proposal failed to apply the floor provided for under the current authorization levels to the increase for this year. My amendment addresses this inequity by providing an additional $930 million of authorization that ensures that more populous States will receive no less than what they are receiving under the Dodd-Shelby compromise while at the same time increases the allocation for smaller States to levels that they should receive if the floor were applied to the $10 billion authorization increase. So no State will be worse off by my amendment while making sure that smaller States are treated fairly.

According to the Mortgage Bankers Association, Maine, with a population of only 1.3 million, has a foreclosure rate of 2.4 percent while the national average is 2 percent. As you can see, Maine's foreclosure rate is well above the national average and goes to show that homeowners are struggling in small States as well as large States, and my amendment simply addresses the current housing crisis in a way that is fair to all States, both large and small.

Mr. President, I am committed to this issue, and urge my colleagues to join me in supporting this critical amendment that is a matter of equity and fairness.

MORNING BUSINESS

Mr. DODD. Mr. President, I ask unanimous consent that the Senate proceed to a period of morning business, with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.