MEMBER SPOTLIGHT

Rep. Lee Zeldin (R, NY-1)

Congressman Lee Zeldin represents New York's 1st Congressional District, which includes most of Central and Eastern Suffolk County on eastern Long Island. He is currently serving his third term in the United States House of Representatives.

Before coming to Congress, he served in the New York State Senate for four years. Rep. Zeldin also opened and operated a successful law practice in New York. After completing the Army ROTC program, Congressman Zeldin served for four years on Active Duty, eventually transitioning to the Army Reserves, where he was recently promoted to Lieutenant Colonel.

In Congress, Rep. Zeldin serves on the House Financial Services Committee where he works on the Housing, Community Development and Insurance Subcommittee. He also serves on the Foreign Affairs Committee.

As global capital and liquidity frameworks continue to change, what role should the legislative branch play in ensuring healthy and robust capital markets for American families and businesses?

In the United States, we have the most robust, competitive and diverse financial services industry in the world, and we must fight to make it even more resilient. The issues surrounding the financial services industry may seem like wonky policy to some, but for my constituents and so many Americans around the country, it's an integral part of helping them live out the American dream. That's why it's important to work together across the aisle to ensure commonsense, bipartisan improvements whenever possible. Since coming to Congress, I've worked to ensure regulations are tailored correctly and streamline red tape so financial institutions can focus on innovation, growth and best serving their customers. For example, I worked with my colleague from New York, Congresswoman Carolyn Maloney, to pass our bipartisan legislation to amend Title I of Dodd-Frank to reform the living will resolution plan submission process. The bill restricts the Federal Reserve Board and FDIC from requiring bank holding companies to submit a living will resolution plan more than every two years, requires the Federal Reserve and FDIC to provide feedback to a submitted resolution plan within six months after a bank holding company submits and requires the Federal Reserve and FDIC to publicly disclose the assessment framework used to review the adequacy of resolution plans.

The Trump administration recently laid out its vision for releasing Fannie Mae and Freddie Mac from Conservatorship and called on policymakers to address regulatory gaps between the GSEs and private-market competitors. What is Congress' role in determining their future, and how does that interact with the actions currently being played by regulatory agencies like the FHFA?

Treasury and HUD's recent reports on housing finance reform are an encouraging first step to solving unfinished business from the financial crisis. As the Administration's report highlights, American taxpayers remain on the hook if Fannie Mae and Freddie Mac were to fail, and the housing finance market is in need of reform. It is the role of Congress to work with the Administration to provide a transition to a market that does not disrupt the 30-year fixed-rate prepayable mortgage while protecting the taxpayer and fostering more private capital in the first-loss position. This is a good-government issue, and is going to require Members of Congress to roll up their sleeves and engage in bipartisanship in the House, Senate and Administration.

Efforts to allow private capital to take on a greater role in the housing market depends in part on a coordinated effort between industry participants and an array of Federal programs and agencies. How can we encourage the flow of private capital within the housing finance market so that, in the event of an economic downturn, taxpayers are not on the hook for future losses?

The most important aspect of housing finance reform is ensuring that the system does not privatize gains and socialize losses. Our free enterprise system depends upon private capital taking risk and undue government intervention or injections of capital can create price distortions and moral hazards. The Credit Risk Transfers at Fannie Mae and Freddie Mac have shed risk off the balance sheets, but more remains to be done. As long as the enterprises remain in conservatorship, the taxpayer remains on the hook for losses. It is important that the federal government only hold the catastrophic risk of a pool of mortgages on its balance sheet. When private capital rather than the federal government is in the first-loss position, diligent underwriting is incentivized, and this is good for taxpayers, the system, and consumers.

The discontinuation of Libor will impact millions of consumers who have floating rate debt like Adjustable Rate Mortgages and student loans. Do you think enough is being done to educate consumers about the upcoming transition away from Libor in 2021?

It's vital that all stakeholders remain engaged as this transition from LIBOR to the Federal Reserve's Secured Overnight Financing Rate (SOFR) takes place. An essential part of this transition is good communication amongst bondholders so as contracts are amended, they can be amended collectively. Like many financial issues, this transition may seem wonky, but without a smooth plan, it could have a real effect on everyday consumers' access to credit.

Perhaps the greatest challenge in the transition from Libor will be amending the contractual terms of existing or "legacy" contracts that lack adequate fallback language. In the event of a Libor discontinuance, in many situations, the applicable rate may be Libor the day its last quoted. Should the federal government consider providing standard fallback language for legacy contracts if Libor becomes unavailable?

Usually, private market participants are in the best position to amend their own private contracts. However, it is important for all stakeholders, including Congress and the Fed to remain engaged because the allocation of credit and availability of capital is critical to a growing economy. Whether it is buying your first home, purchasing a car to get to work, or accessing capital to start a new business, our financial system is essential to obtaining the American dream. Whether it's a multi-billion dollar deal that revitalizes an entire neighborhood or a small extension of credit for a mom and pop shop on Main Street, the health and vitality of our financial system is vital to creating more good paying jobs.