

**Statement of Carolyn Maloney, Vice Chair**  
**Joint Economic Committee Hearing**  
**March 28, 2007**

Thank you, Chairman Schumer. I want to welcome Chairman Bernanke and thank him for testifying here today.

This hearing comes at an important time, because monetary policy is at a critical juncture. With new risks in the housing market and weak business investment, the Fed last week essentially acknowledged that economic conditions may be deteriorating more than expected.

Evidence of a slowing economy is building and the concern is that the unemployment rate will begin to rise if slow growth continues, which argues for easing rates. At the same time, inflation has been higher than the Fed is comfortable with over the longer-term, which seems to have prevented the Fed from lowering interest rates.

To ease or not to ease rates? How the Fed will answer that question is what we will all try to divine today. I look forward to gaining some insights into how the Fed will balance the various risks to the economy.

How American families are faring should be part of the Fed's equation, because the economy is weakening even before many have shared in the gains from the economic growth we have seen so far. Income is growing the most for executives and highly compensated individuals, but ordinary workers are only just beginning to see their paychecks rise above inflation. The ability of American consumers to keep spending may be flagging with the cooling housing market and recent stock market volatility.

We are facing, by all accounts, a tsunami of defaults and foreclosures in the primary subprime market. In each of our districts, our constituents are encountering payment shock as their subprime loans reset to much higher rates. By some estimates, 2.2 Million homeowners with subprime loans made through 2006 are at risk of losing their home.

Rising delinquencies on subprime home loans, while devastating to the many families who have fallen prey to these vehicles, could also have broader implications for the economy. Some economists have already started to compare the subprime market meltdown to the dot-com bubble. Chairman Bernanke, I hope you will provide some reassurance that this is not the case.

In the House, we are working on comprehensive subprime lending legislation to fix this broken system. One question before us today is whether the Fed will act under its Home Ownership and Equity Protection Act powers to regulate unfair and deceptive practices to extend the proposed guidelines to non-bank lenders or whether Congress should legislate to achieve that result.

Setting the right course for monetary policy is complicated by our current fiscal and international imbalances. The challenge for this Congress is to return to the fiscal discipline that has been squandered by the President and Congress over the past six years. Today in the House, we are debating a realistic budget plan that adheres to pay-go principles for controlling the deficit and bringing revenues into line with what we need to spend to defend the country and take care of the needs of our citizens.

Mr. Chairman, thank you for holding this important hearing and I look forward to our discussion about the economic outlook.