Statement by Rep. Michele Bachmann
House Financial Services Subcommittee on
Capital Markets, Insurance, and Government Sponsored Enterprises

March 5, 2009

Thank you, Mr. Chairman.

This is the first in a series of hearings that our Committee has scheduled about the regulation of systemic risk in the financial services system. Unlike previous actions of late taken by Congress to address the financial markets, I am pleased that our Committee plans to take a more careful and thoughtful approach to this incredibly important matter. The American people deserve our due diligence on this matter. It's time we gave it to them.

The government reacted with a great deal of haste last year when the $700-billion Troubled Asset Relief Program (TARP) was rushed through Congress and the first $350-billion was spent within only a few weeks. At the time of its passage there were – and today there still are – many outstanding questions about this unprecedented program. Those overseeing TARP have struggled to explain where the money has gone and how it is impacting our markets. And American taxpayers have been left wondering where their money went and whether it was put to good use.

It is imperative that as we look toward this next step, Congress does not rush into passing a new regulatory regime of such significance without thoroughly examining what the necessary authorities should be, how they might be implemented effectively to ensure safety and soundness, and how unintended consequences could be avoided. And in order to answer these serious policy questions, it is critical that we better understand what happened in our marketplace to contribute to today's dismal environment.

We know that many mistakes were made by market participants across the financial sector that brought about the turmoil our nation has experienced. We know that the federal government played just as significant a role – from its implicit guarantee of Fannie Mae and Freddie Mac to its excessive encouragement of lower underwriting standards. And, we know that some borrowers across the nation made risky decisions, whether intentionally or not, and as home prices began to fall, their financial stability declined. Our Committee must continue to examine the details of these and other events surrounding the crisis in order to develop appropriate policies to reform our financial regulatory structure.

Chairman Frank has expressed his support for expanding the Fed and giving it the role of systemic risk regulator. But whether the Fed is capable of exercising a more comprehensive systemic risk responsibility, especially since it already has trouble fulfilling its missions of monetary policy and long-term economic stability, is an important question we must first answer. I'd actually argue that a full and open audit of the Fed is in order. And I have joined several of my colleagues in asking for such transparency now.

The Fed has dramatically expanded its balance sheet by the trillions – something that actually poses systemic risk to the taxpayers in and of itself. And, just yesterday, the Fed announced its newest lending facility, the Term Asset-Backed Securities Loan Facility (TALF), which exposes taxpayers to another $200 billion risk.

Additionally, there are other regulators including the Securities and Exchange Commission (SEC) and the Office of the Comptroller of Currency (OCC) that we should examine to see whether the existing tools and resources they have are sufficient to weed out fraud and abuse in the financial markets.

I appreciate the Chairman holding this hearing and thank the witnesses for being here to discuss this important issue.

Thank you, Mr. Chairman, and I yield back the balance of my time.