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STATEMENT OF

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on

THE PRIVATE SECTOR AND GOVERNMENT RESPONSE TO THE MORTGAGE FORECLOSURE CRISIS

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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Chairman Frank and Ranking Member Bachus, I appreciate the opportunity to testify on behalf of the Federal Deposit Insurance Corporation (FDIC) regarding the private sector and government response to the mortgage foreclosure crisis. My testimony will focus on the FDIC's efforts to promote financial stability by identifying and implementing sustainable solutions to preserve homeownership. I will describe the rationale for these efforts, the process by which we developed our modification proposals, our loan modification program at IndyMac Federal Bank, and our ongoing efforts to promote loan modifications through our roles as bank supervisor and as receiver for failed banks. I will close by outlining some lessons learned in this process that may be useful in furthering private and public loan modification efforts in the future.

Background

The Crisis in Homeownership. Before and during the financial crisis, the FDIC has acted on a number of fronts to preserve public confidence in banking and to restore the strength of our financial markets and institutions. Early on, Chairman Bair expressed concern about consumer protection abuses and distortions in our housing and mortgage markets. To respond to those problems, the FDIC proposed specific action to strengthen consumer protection, address problems in mortgage underwriting and prevent avoidable foreclosures.

There is no question that mortgage credit distress and declining home prices have been fundamental sources of uncertainty for financial markets and institutions in this crisis. According to the Standard and Poors/Case-Shiller home price index for 10 large U.S. cities, average U.S. home prices rose by 192 percent in the 10 year period ending in mid-2006, and have fallen by a net total of 31 percent since that time. Home price declines in some of the hardest hit metropolitan markets now approach or exceed 50 percent from peak levels. The combination of far too many structurally unsound mortgages and historic home price declines – which precluded refinancing – led to historic increases in mortgage defaults and foreclosures. Total U.S. foreclosures rose from around 938,000 in 2006 to 1.5 million in 2007 and 2.3 million in 2008.[1] Despite increased efforts this year to modify delinquent and at-risk mortgages, the number of homes entering foreclosure in the first three quarters of 2009 exceeded 2.2 million. However, as troubling as these statistics are, they only provide a pale reflection of the devastating personal consequences of this crisis for millions of Americans and their communities.

Meetings with Servicers and Investors. As the crisis began to unfold in early 2007, some questioned whether restructuring for troubled mortgages was even possible under the pooling and servicing agreements (PSAs) that controlled servicing for millions of securitized mortgages. To answer these questions, in April 2007, the FDIC began hosting discussions with a range of mortgage servicers, investors, accountants, attorneys, and regulators to identify impediments and explore avenues to restructure problem loans instead of foreclosing. We learned that most PSAs provide considerable leeway for modifications. Similarly, according to the participants, applicable accounting rules and

[1] FDIC estimates based on data from the Mortgage Bankers Association (National Delinquency Survey) and the U.S. Department of Housing and Urban Development (American Housing Survey).

the requirements for Real Estate Mortgage Investment Conduits (REMICs) do not generally preclude modifications for mortgages that are either in default or where default is reasonable foreseeable. The key requirement for the servicer modifying the troubled mortgage was that by modifying, instead of foreclosing, the servicer would maximize the expected net present value (NPV) of the mortgages. In a declining housing market with growing losses in foreclosure, a sustainable modification of the mortgage frequently provided better value than foreclosure and was well within the power of servicers. These lessons were later confirmed in guidance provided by leading accountants, the SEC, and mortgage industry associations. Later in 2007, the federal banking regulators provided guidance to insured banks and thrifts confirming that modifications normally were permitted by applicable standards.[2]

Early Efforts by the FDIC to Promote Loan Modifications on a Mass Scale.

In a *New York Times* op-ed published in October 2007, FDIC Chairman Sheila Bair summarized the problems facing subprime borrowers and the potential benefits of restructuring at-risk loans where borrowers were facing large resets in their interest rate and monthly payment.[3] Chairman Bair's proposal rested on two premises: 1) that most subprime borrowers could not afford the large increases in their monthly payment after reset, and 2) that simply foreclosing on defaulted loans would only add to the excess

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[2] July 24, 2007 Letter from SEC Chairman Christopher Cox to Chairman Barney Frank of the House Financial Services Committee; 2007 Mortgage Bankers Association, Position Paper, "FAS 140 Implications of Restructuring of Certain Securitized Residential Mortgage Loans"; Real Estate Mortgage Investment Conduit regulation at 26 CFR 1.860G-2; American Securitization Forum Statement of Principles, Recommendations and Guidelines for the Modification of Securitized Subprime Residential Mortgage Loans, June 2007 at 2; Sept. 4, 2007 Interagency Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages.

[3] Sheila C. Bair, "Fix Rates to Save Loans," *New York Times*, October 19, 2007, http://www.nytimes.com/2007/10/19/opinion/19bair.html

supply of housing, push down home prices, and make the mortgage credit problem worse. The proposal relied upon the fundamental obligation of servicers to maximize the value of the securitized loans for investors. Where mortgage restructuring is the best strategy to do this – as shown by a well-developed NPV analysis – then servicers should modify the loan rather than foreclose. Unfortunately, as the crisis has shown, there are many contradictory incentives in the servicers' role and in the structure of securitizations that complicate this beneficial result. Going forward, these misaligned incentives should be addressed in the structure of future securitizations.

Loan Modification at IndyMac Federal Bank. The FDIC was soon faced with the need to implement these principles when it was named conservator for IndyMac Federal Bank, F.S.B., Pasadena, California on July 11, 2008. At IndyMac, the FDIC inherited responsibility for servicing a pool of approximately 653,000 first lien mortgage loans, including over 60,000 mortgage loans that were more than 60 days past due, in bankruptcy, in foreclosure, or otherwise not currently paying. Of the entire pool of mortgages serviced by IndyMac, only 7 percent were owned by the institution, while the remaining 93 percent were serviced for other owners through securitizations, whole loan sales, or through loans owned by Freddie Mac and Fannie Mae. As conservator, the FDIC had the responsibility to maximize the value of the loans owned or serviced by IndyMac Federal. Like any other servicer, IndyMac Federal was obligated to comply with its contractual duties in servicing loans owned by investors. Consistent with these duties, we implemented a loan modification program to convert as many of these distressed loans as possible into performing loans that were more affordable and sustainable over the long term where doing so would maximize the NPV of the mortgages. In addition, we sought to refinance distressed mortgages through FHA programs, including FHA Secure and HOPE for Homeowners, and have sent letters proposing refinancing through FHA to thousands of borrowers.

The FDIC program for residential borrowers with mortgages owned or serviced by IndyMac Federal modified eligible, delinquent mortgages to achieve affordable and sustainable payments using interest rate reductions, extended amortization and, where necessary, a partial deferral of principal. Modifications were only undertaken if doing so would maximize the NPV return. By modifying the loans to an affordable debt-to-income ratio and using this menu of options to lower borrowers' payments, the program improved the value of these troubled mortgages while achieving economies of scale for servicers and stability for borrowers. Of the more than 60,000 mortgages serviced by IndyMac Federal as of August 2008 that were more than 60 days past due or in foreclosure, approximately 40,000 were deemed potentially eligible for our loan modification program.[4]

Since the inception of the IndyMac modification program in August 2008, over 23,500 borrowers have received a modification. Approximately 12,507 of these were completed between August 2008 and the FDIC's sale of IndyMac to OneWest Bank in March 2009. Of the modifications completed since March, only about 1,200 modifications are subject to the loss share agreement with OneWest Bank, described

[4] Loans not eligible for a modification proposal under the IndyMac Federal modification program included non-owner-occupied loans, loans subject to bankruptcy proceedings, completed foreclosures, and loans secured by properties held after a prior foreclosure.

below. Almost all of these modifications reduced the borrower's monthly payment by 10 percent or more. Through September 30th, only 25 percent of modified loans were 60 days or more past due or in foreclosure. In fact, since the applicable debt-to-income ratio for modified mortgages was reduced from 38 percent to 31 percent, the month-over-month redefault rate has dropped despite rising economic distress in many areas where IndyMac had been active.

Using the model at IndyMac Federal to achieve mortgage payments for borrowers that are both affordable and sustainable, the distressed mortgages could be rehabilitated into performing loans, thereby avoiding unnecessary and costly foreclosures in many cases. By taking this approach, future defaults could be reduced, the value of the mortgages could be improved, and servicing costs could be cut.

Development of the "Mod-in-a-Box". Based on the experience gained at IndyMac, the FDIC published last Fall a practical guide to implementing a loan modification program, which we call "Mod-in-a-Box."[5] This guide provides advice for servicers seeking to implement their own modification programs, including information on communicating with borrowers, determining eligibility, verifying income, structuring the modification, applying the NPV test, and reporting on program results. This publication represented our attempt to help servicers move forward in implementing their own modification programs with the benefit of our experience at IndyMac.

[5] See: FDIC Loan Modification Program Guide – "Mod in a Box"
http://www.fdic.gov/consumers/loans/loanmod/loanmodguide.html

Proposal for Federal Incentives to Promote Modifications. The Emergency Economic Stabilization Act (EESA), which became law in October 2008, specifically provided the Secretary of the Treasury with authority to use loan guarantees and credit enhancements to facilitate loan modifications to prevent avoidable foreclosures. In response, the FDIC last fall proposed to Treasury a program of servicer incentives to promote the modification of distressed mortgages. The proposal would have used the techniques used at IndyMac to achieve modifications.[6] This approach resembles the loss sharing agreements that the FDIC has used for years to induce failed bank acquirers to maximize collections on receivership assets. While modifications would not solve the problems of every borrower, the modification and incentive process could be streamlined to reach many distressed borrowers and potentially help stabilize U.S. housing and mortgage markets.

Early this year, the FDIC and other agencies assisted in developing a Treasury program of incentives for the systematic modification of delinquent and at-risk mortgage loans, the Home Affordable Modification Program (HAMP). The HAMP reflects a number of concepts originally introduced by the FDIC at IndyMac, particularly with regard to the focus on a target debt service-to-income ratio of 31 percent and the steps taken to adjust the loan terms. These steps are: interest rate reduction, term extension, and principal forbearance as necessary in order to reduce the borrower's monthly payment to this target level. In other respects, however, the design of the HAMP incentive structure goes somewhat beyond the simple loss sharing approach that we

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[6] See*:* "Loss Sharing Proposal to Promote Affordable Loan Modifications," http://www.fdic.gov/consumers/loans/loanmod/

proposed last Fall. For example, the HAMP includes more complex financial incentives than the loss sharing approach proposed by the FDIC. HAMP also includes multiple documentation requirements for income verification compared to the FDIC's approach at IndyMac. While this has the merit of providing more certainty regarding income levels, it can slow completion even of performing trial modifications while documents are reviewed and exchanged. FDIC analysts have continued to assist the inter-agency working group in providing suggestions for estimating model parameters and working out some of the details of implementation. While the FDIC has no role in decision-making or overall implementation for the HAMP, the FDIC strongly supports the goals embodied in the HAMP of achieving mortgage modifications to avoid unnecessary foreclosures.

Ongoing FDIC Efforts to Encourage Loan Modifications

Supervisory Efforts. In its role as a federal banking regulator, the FDIC supports prudent workout arrangements through its examination review process since sustainable loan modifications are generally in the long-term best interest of both the financial institution and the borrower. The community-based institutions that the FDIC supervises are engaging in loan modifications and avoiding foreclosure whenever possible. Most of these institutions have relatively small portfolios of residential loans. Based on the FDIC's reviews to date, FDIC-supervised institutions are implementing appropriate policies and procedures for ensuring that residential mortgage modifications follow prudent underwriting standards and result in sustainable obligations based on the borrower's ability to repay.

The FDIC's examination process includes reviews of the loan modification programs of FDIC-supervised institutions to ensure that the criteria they are using are both reasonable and consistently applied. The FDIC also created a special training video for examiners that discusses prudent loan modifications. Along with the other banking agencies, the FDIC has provided guidance to its examiners supporting prudent loan modifications and confirming that examiners should not criticize institutions for engaging in loan modifications.[7] In addition, the FDIC has issued examiner guidance emphasizing the need to address second liens in order to provide a sustainable total mortgage obligation to borrowers.[8] To further encourage safe and sound modifications, institutions may receive favorable Community Reinvestment Act consideration for implementing these programs.[9]

Modification Efforts in Loss Share Agreements and Other Transactions. Over the past year, as the number of bank failures has risen, the FDIC has incorporated loss share agreements with purchasers of failed bank assets. Through November 20, 2009, the FDIC had loss share agreements in place for 81 failed bank resolutions that

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[7] FDIC Financial Institution Letter FIL-35-2007, *Statement on working with Mortgage Borrowers*, dated April 2007, available at: http://www.fdic.gov/news/news/press/2007/pr07032a.html and FIL-76-2007, *Statement on Loss Mitigation Strategies for Servicers of Residential Loans*, dated September 2007, available at: http://www.fdic.gov/news/news/financial/2007/fil07076a.html.
[8] FDIC Financial Institution Letter FIL-45-2009, *Support for Responsible Loss Mitigation Activities Servicers' Obligations to Lienholders on Modifying Loans*, dated August 2009, available at: http://www.fdic.gov/news/news/financial/2009/fil09045.html.
[9] See the section entitled "Supervisory Guidance" at: http://www.fdic.gov/consumers/loans/prevention/fi.html

covered over $40 billion in single family loans. Under these agreements, the loans are sold to private buyers, who service and manage the loans, and share losses and recoveries with the FDIC.

Each of these loss sharing agreements requires that the purchasing institutions apply either the FDIC loan modification program, modeled on that developed at IndyMac, or the HAMP. To encourage sustainable loan modifications, the loss share agreements provide that the FDIC will share with the purchasers the losses on any modifications, including any losses incurred from a subsequent default on the modified mortgage. All mortgages on owner-occupied properties that are 60 days or more delinquent or considered at risk of default must be considered for modification and, if the NPV analysis shows that a modification is less costly than foreclosure, the purchaser must pursue a modification.

The FDIC loan modification program is very similar to HAMP since the techniques for loan modifications are modeled on the FDIC's IndyMac program, although the FDIC loan modification program does not offer federally-funded incentives. Like HAMP, the borrower's monthly payment after modification must not exceed 31 percent of the borrower's gross income. To reach that affordability hurdle, the institution is instructed to first reduce the interest rate to as low as 3 percent, then increase the term of the loan by up to 10 years, and finally forebear principal as necessary to achieve the borrower's affordable payment. All modifications result in amortizing payments with a fixed-payment period of 5 years. After 5 years, the interest rate may increase by up to 1 percent per year until attaining the Freddie Mac Primary Mortgage Market Survey rate (PMMS) – which is a prime mortgage rate (currently the PMMS is about 4.84 percent). Thus the borrower's payment schedule is known at the time of modification and the loan interest rate is capped at prime market rates at the time of the modification.

The vast majority of residential mortgages under loss share agreements are concentrated in three loss share partners: US Bank, OneWest Bank, and BankUnited. In each case, the FDIC is actively monitoring and auditing compliance with the loss share agreements, including performance under the requirement to modify mortgages.

In November 2008, Downey Savings & Loan and PFF Bank were acquired by US Bank, with loss share coverage provided for over $12 billion of single family mortgage assets. US Bank has implemented a modification program structured by the FDIC modification guidelines. Through September, these institutions had modified the terms of over 2,000 loans with approximately 1,500 loans or 22 percent of these institutions' loans that were 60 days or more past due in the process of being considered for modification.

In March 2009, OneWest Bank acquired IndyMac under a loss share agreement that covered $12.7 billion in single family mortgage assets. While OneWest continues to service a much larger pool of mortgages under servicing agreements assumed from IndyMac, only approximately 7 percent of the mortgages serviced by OneWest are covered by the loss share agreement. Under this agreement, the FDIC requires OneWest to apply either the FDIC loan modification program or HAMP. Following the sale, OneWest continued to modify mortgages under the FDIC program – with more than 1,200 modifications completed through September. During August 2009, OneWest transitioned to the HAMP and has begun modifying loans under that program. As of September 30th, 327 loans covered by the loss share agreement were in the process of modification. The FDIC recently began a full-scope audit of OneWest's performance under the loss share agreement to provide a detailed analysis of its performance.

In May 2009, the FDIC executed a loss share agreement for the BankUnited receivership that added an additional $9.7 billion to the portfolio of single-family mortgage assets covered by these agreements. BankUnited recently completed its HAMP application and is in the process of modifying 2,643 loans, or 16 percent of the loans that were 60 days or more past due as of September.

The FDIC encourages all of its loss share agreement partners to proactively seek alternative solutions to minimize loss and encourage homeownership. We begin working with these institutions as soon as the agreements are in place. The FDIC is actively considering several changes to the FDIC modification program to better respond to changing economic and housing market conditions.

Separate from the FDIC's closed bank transactions, the FDIC, along with Treasury and the Federal Reserve, also required Citigroup to apply sustainable mortgage modifications to limit potential losses from foreclosure as part of the November 2008 agreement with Citigroup. Under this agreement, Citigroup bears first loss on an initial pool of $300.7 billion in assets, including $175 billion in single family mortgages, with the Treasury, FDIC, and Federal Reserve providing back-up loss sharing. As part of the agreement, Citigroup initially was required to apply the FDIC loan modification program and now is applying HAMP. It also permits Citigroup to continue certain other programs designed to address temporary job loss through temporary forbearance. From January through September 2009, Citi reports completing over 30,000 HAMP modifications, with an additional 28,000 trials underway. Citi has reported providing various temporary relief and incentive programs to 92,000 borrowers.

Recent Directions for Mortgage Relief

The causes of the continuing mortgage distress and the challenges in responding to it have evolved during the crisis. The original challenges facing subprime borrowers in 2007 arose from unaffordable payments following resets after a 2- to 3-year introductory period. Affordability continues to be a major problem because too many mortgages were originated at very high debt-to-income ratios or included payment option features that often led to large negative amortization and to future resets to unsustainable payments. Continuing declines in housing values along with such negative amortization features in many so-called “Alt-A” mortgages have placed increasing numbers of homeowners deeply underwater. Unfortunately, the recession and rising unemployment have now added new challenges.

Home price declines since 2006 have pushed as many as a quarter of U.S. mortgage borrowers "underwater," owing more than the current value of their homes.[10] In the hardest hit markets, borrowers with loans originated between 2005 and 2007 may be underwater by 50 percent or more. Because of the disincentives to repay created by large negative equity positions, the FDIC is now working to include principal forgiveness as an option available to loss share partner institutions for qualifying borrowers which continue to perform post-modification. Adding principal forgiveness to the range of options available to our loss share partners is a prudent work out mechanism as long as it maximizes the overall value of the loan. Under this approach there would be financial incentives under loss share, particularly for deeply underwater loans, to forgive some portion of the principal outstanding in order to maximize the value of the mortgage and provide long term sustainable mortgage payments for the borrower.

With unemployment now at 10 percent for the first time in 26 years, job loss has become a major driver of mortgage default. Some 7.3 million jobs have been lost since the start of the recession in December 2007, with three-quarters of these job losses occurring in just the past 12 months. This is why the FDIC issued a statement in September urging its loss share partners to adopt a temporary forbearance plan for unemployed borrowers, reducing their loan payment to an affordable level for at least six months.[11] This initiative focuses on the short-term distress of job loss as opposed to the long-term distress of an unaffordable loan.

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[10] Economy.com estimates that some 15.6 million U.S. mortgage loans were underwater as of September 2009.

[11] See "FDIC Encourages Loss-Share Partners to Provide Forbearance to Unemployed Borrowers," http://www.fdic.gov/news/news/press/2009/pr09167.html

<u>Lessons Learned</u>

The FDIC's experience at IndyMac and with our loss share agreements has provided us with a number of lessons learned that we would like to share with the Committee.

Modifying early gives the best chance of success. Based on our experience at IndyMac, as well as feedback from other servicers, successful modifications are more likely if the borrower can be contacted and the modification completed before there is an extended period of delinquency. A proactive approach by servicers both to contact borrowers and to efficiently follow-up to complete the modification is essential. At IndyMac, indications are that the redefault rates on the initial modifications will exceed redefault rates on later modifications partly because many of the early modifications at IndyMac were performed on loans that had already been delinquent for many months before modification. Also, redefault rates improved as the modification program seasoned, business process improved, and IndyMac was able to more effectively and efficiently reach out to borrowers recently delinquent on pre- and post-modified loans.

Not surprisingly, the more affordable the modification, the lower the redefault rate. Another factor that clearly influences redefault rates is the affordability of the monthly payment. Current experience shows that redefaults on modifications targeted at the debt-to-income ratio of 31 percent eventually adopted at IndyMac have been considerably lower than reported by many other servicers. A 31 percent DTI ratio is also used in HAMP. The reason is that many of the earlier modifications by other servicers actually *raised* the monthly payment of borrowers. High redefault rates on these 'modifications' are not surprising.[12]

Communication and follow-through with borrowers is critical. To address problems in reaching delinquent borrowers, the FDIC took the approach at IndyMac of sending out modification proposals that specify a dollar amount in projected monthly savings. This resulted in response rates well above industry norms in similar situations. A reliable process for follow-up communications and document processing is also essential to keeping borrowers engaged in the process. This requires creation of an effective information technology infrastructure and thoroughly staff training to provide accurate and consistent information to borrowers. Continuing follow-up with borrowers, especially if they should miss a payment, is particularly important.

Close working relationships with HUD-approved counseling groups will improve borrower response and modification success. Another important technique is to work closely with certified homeownership counseling groups. At IndyMac, the FDIC initiated agreements with many counseling groups to create a close working relationship to achieve more effective outreach to borrowers and assistance in completing modifications. These groups often have much greater credibility with borrowers than do servicers. In return, the FDIC paid counseling groups $500 for each completed modification. This is clearly a win-win option both for servicers and for counseling groups. Equally importantly, counselors can help borrowers prepare monthly

[12] "Perfection Isn't Modification's Aim," Letter to the Editor of the Wall Street Journal, June 5, 2009, http://www.fdic.gov/news/letters/lte_06052009.html

budgets and provide other guidance that will improve the likelihood that borrowers will be able to continue timely payments on their mortgages.

Consumer protection is critical to effective loan modifications. One of the principal lessons of the mortgage crisis has been the need for more effective consumer protection to help borrowers make informed choices. Complex mortgage features, such as payment options, negative amortization resets, and underwriting loans only at the initial 'teaser' rates, as well as the complexity of many disclosure documents provided an opportunity for unscrupulous operators to take advantage of borrowers. It is essential that our mortgage markets have common rules to protect consumers whether they do business with a bank or a non-bank lender, and the FDIC has supported creation of the Consumer Finance Protection Agency to help ensure this.

Today, we have seen a growing number of scams seeking to take advantage of desperate homeowners. Along with many state and federal agencies and private groups, the FDIC is working to ensure these scams are stopped and that borrowers get the help they need from reliable sources. In September, the FDIC published a brochure entitled, "Beware of Foreclosure Rescue and Loan Modification Scams" that offers tips on detecting fraudulent deals as well as resources for reporting criminal activity. [13]

Lenders and servicers must be flexible to address new challenges. As we have discussed, modifications and refinancing are valuable tools where affordability is the

[13] FDIC, "Beware of Foreclosure Rescue and Loan Modification Scams," http://www.fdic.gov/consumers/loans/prevention/rescue/index.html

primary problem. However, if the problem is caused by job loss or deeply underwater loans, lenders and servicers must respond with new approaches. The FDIC has strongly recommended adoption of forbearance programs for borrowers who have lost their jobs. This will provide an opportunity for borrowers to get another job and have sufficient income to support a more permanent solution. Similarly, principal forgiveness must be included as an option to address the increased risk of redefault on modifications for severely “underwater” loans.

Keep it simple. Modification programs must be relatively straightforward if servicers are to be able to apply a streamlined approach and if borrowers are to understand their options. While multiple layers of checks or multiple modification programs may, sometimes, appear to provide additional protections or flexibility, the benefits gained are often outweighed by the impediments created to rapid and effective implementation.

Conclusion

Throughout the financial crisis, the FDIC has worked closely with consumers, mortgage market participants and state and federal officials with the goal of reducing unnecessary losses of homeownership and its concomitant consequences of spreading economic distress. Loan modification, refinancing, temporary forbearance for out-of-work borrowers, and principal reductions are all tools to achieve these goals. We continue to support Treasury’s HAMP as the best way to make affordable mortgage modifications available to distressed borrowers across the wide spectrum of different mortgage lenders and servicers that manage their loans. As we know Treasury agrees, flexibility is vital if we are to achieve the overriding goal of preventing unnecessary foreclosures and their continuing economic consequences.

Above all, the FDIC remains committed to achieving what has been our core mission for over 75 years – protecting depositors and maintaining public confidence in the financial system.

I will be pleased to answer any questions the Committee might have.