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CONGRESSIONAL HEALTH CARE CAUCUS,
CHAIRMAN

August 27, 2009

Judy Biggert
Ranking Member
Subcommittee on Oversight and Investigations
House Committee on Financial Services
2129 Rayburn
Washington, D.C. 20515

Dear Ms. Biggert,

Last fall, on September 18, 2008, the House Committee on Financial Services held a hearing entitled "*Auction Rate Securities Market: A Review of Problems and Potential Resolutions.*" The hearing had a large, substantive and relevant witness list including the Executive Vice President of Nuveen Investments, the Director of the Enforcement Division at the U.S. Securities and Exchange Commission, the Managing Director and Associate General Counsel of the Securities Industry and Financial Markets Association as well as various individuals from state enforcement and school boards.

The testimony and questioning on that date revealed the lack of affirmative obligation on the behalf of fiduciary institutions to inform their investors, be they large institutions like higher education loan corporations or small investors with about \$25,000, the illiquidity of the auction rate securities market. Auction rate securities were never as accessible in the market as cash in one's pocket, and there was clear professional misconduct on behalf of numerous large brokerage firms in informing investors auction rate securities were so liquid.

Mere restitution of nearly \$330 billion dollars by brokerage firms selling auction rate securities is insufficient. While returning money lost can help ease the pain of being induced into investing, this does not prevent a scheme from occurring again. Furthermore, even though penalties help – and lawsuits help even more – there must be a fix in the loophole of legislation which allowed the auction rate securities market to grow, in two decades, from a mere \$2 billion to the staggering \$330 billion dollar market at the time of its collapse in February 2008.

My concern has merely grown since the aforementioned hearing because it does not appear the situation with auction rate securities has improved. I have yet to see any clarifying legislation. Lawsuits by zealous Attorney Generals continue to be filed, and

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investigations by the Securities Exchange Commission expands in scope and size seemingly by-the-day, yet how has the market changed, if any?

As the Ranking Member of the House Financial Services Committee, I sincerely hope you will oversee an appropriate remedy. Whether it is one of the remedies suggested in the testimony during the aforementioned hearing or whether it is remedy culled together from the results of any investigatory materials shared with you, I know we would all benefit from hearing from your committee on this important matter.

With regards,

A handwritten signature in blue ink, appearing to read "Michael C. Burgess". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Michael C. Burgess, M.D.