

Committee on the Judiciary

“Legislative Proposals to Fight Fraud and Protect Taxpayers”

April 1, 2009 – 10:00am

Statement of Congressman Elijah E. Cummings

Thank you, Chairman Conyers, for inviting me to testify today.

I commend Chairman Conyers and Ranking Member Smith for their tireless leadership of our ongoing efforts to protect consumers and prevent fraud, and I also appreciate the hard work of all Judiciary committee members.

I have worked closely with the administration of Governor Martin O'Malley in my home state of Maryland to make my constituents aware of the consumer protections available to them, and I am pleased to be here.

From the instant the decision was made to inject taxpayer dollars into the private capital markets, I have beaten a drum for the rights of our nation's "involuntary investors."

From for-profit “loan modification” firms in the housing sector to corporate bonuses and retention payments on Wall Street, we’ve seen too many examples of our hard-working constituents getting taken advantage of at a time when many are truly desperate.

At the State level, the Maryland General Assembly has passed the Maryland Mortgage Fraud Act, explicitly making mortgage fraud a specific crime, as well as creating an affirmative obligation for all mortgage brokers and lenders to report cases of fraud, theft, or forgery.

More recently, we've all seen the emergence of these so-called foreclosure or loan modification consultants.

These scam artists charge high up-front fees to vulnerable consumers to supposedly help them obtain modifications of their loans.

In reality they are charging hard-working people for information that is available to them at no cost. Too often, these efforts result in both wasted money and wasted time.

The bills to be considered by the committee today would provide exactly the kind of tools we need to create stronger taxpayer protections.

In the case of AIG, all taxpayers have been victimized. We have seen a pattern of less-than-full disclosure of AIG's uses of the TARP money.

First, we found out they were attending conferences at lavish resorts.

Then we found out they were issuing bonuses and retention payments, even within the Financial Products division, whose actions brought AIG down and created the systemic turmoil that threatens our entire economy.

Mr. Liddy and his team at AIG have not convinced me that these bailout funds are always being used in the best interests of the taxpayer – and it is simply unacceptable that the taxpayers who provided this funding should have any doubts.

I particularly commend Chairman Conyers, Mr. Smith, Ms. Biggert, Mr. Delahunt, and Ms. Jackson-Lee for their sponsorship of the Fight Fraud Act of 2009.

Including the Troubled Assets Relief Program in the definition of ‘major fraud against the government’ should help create transparency and increase accountability from the recipients of these taxpayer funds.

Whether as a, quote, “involuntary investor” or as the holder of an underwater mortgage, the American taxpayer shouldn’t have to keep absorbing these blows.

The Fight Fraud Act and today’s hearing are the counterpunches they need. Mr. Chairman, I commend you and the committee again on your efforts to root out fraud and abuse.

Thank you for inviting me today, and with that, I yield back.