BARNEY FRANK, MA, CHAIRMAN

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

By direction of the Committee on Financial Services, and pursuant to clause 4(f) of rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget Act of 1974, I am transmitting herewith a committee print entitled "Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2010." I am also transmitting additional and dissenting views submitted by Members of the Committee.

The Committee approved the print, as amended, on March 12, 2009 by a voice vote.

Should you or your staff have further questions regarding this document, please contact the Committee's General Counsel, Mr. Thomas Duncan, at extension 5-4247.

BARNEY FRANK
Chairman

BF/tgd

Enclosure

cc: The Honorable Spencer Bachus

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2010

Pursuant to clause 4(f) of rule X of the Rules of the House of Representatives, section 301(d) of the Congressional Budget Act of 1974, and section 207(e) of Senate Concurrent Resolution 21, 110th Congress, the Committee on Financial Services is transmitting herewith (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2010; (2) an estimate of the budgetary impact of all legislation which the Committee expects to consider during the coming session; and (3) recommendations for improved governmental performance.

HOUSING AND COMMUNITY OPPORTUNITY

SUMMARY

Department of Housing and Urban Development (HUD) programs provide a critical safety net for our nation's poorest families, seniors, veterans, and disabled persons, foster economic opportunities for low- and moderate-income families, and strengthen urban and rural communities. As the nation's housing and mortgage crisis continues, HUD also plays an increasingly vital role in preventing foreclosures and stabilizing housing markets. The Fiscal Year 2010 HUD budget reverses an eight-year pattern of budgets which propose deep cuts to HUD programs. Instead, the budget proposes an increase of over 18 percent in funding compared to the FY 2009 level, and emphasizes initiatives in important areas such as Section 8 assistance, Community Development Block Grant funding, housing preservation, and energy efficiency. We note that the budget also proposes $1 billion for funding for an Affordable Housing Trust Fund, to finance the development, rehabilitation, and preservation of affordable housing for very low income residents. Finally, the budget proposes funds for HUD to combat mortgage fraud and predatory practices, including increased funding for fair housing enforcement.

FORECLOSURE PREVENTION

Hope for Homeowners

Last year, Congress enacted the Hope for Homeowners program, which was designed to provide Federal Housing Administration (FHA) loans for at risk borrowers, combined with a requirement for existing lenders to write down existing loans to below the home's current market value. Unfortunately, because of statutory provisions which combined excessive fee levels and unnecessary and unduly burdensome restrictions, the program has not been utilized. Congress should enact the necessary changes to reduce excessive fee levels, eliminate unnecessary and burdensome restrictions, and provide increased flexibility to FHA to make program administration as consistent as possible with traditional FHA loans.

Neighborhood Stabilization Program

Congress has appropriated approximately $6 billion in two rounds of funding for the Neighborhood Stabilization Program, designed to provide emergency assistance to state and local governments for the redevelopment of abandoned and foreclosed homes. Congress should monitor the utilization of these program funds to maximize their efficiency and effectiveness, as well as evaluate the capacity of states and nonprofit groups in the deployment and strategic use of these funds.

Housing Counseling

Housing counseling continues to be an integral aspect of foreclosure prevention efforts across the country. Congress should monitor housing counseling efforts, including state, local and nonprofit counseling programs, to determine their effectiveness in mitigating foreclosures in communities. The 2009 Omnibus Appropriations bill contained over $180 million for counseling programs and the American Recovery and Reinvestment Act (ARRA) included $200 million for Neighborhood Stabilization Program "capacity building" which includes counseling. The Committee on Financial Services expects to continue to monitor housing counseling efforts, particularly with respect to funding levels and eliminating predatory or abusive mortgage lending practices.

AFFORDABLE HOUSING CONSTRUCTION

Elderly and Disabled Persons

The HUD Section 202, Supportive Housing for the Elderly and the Section 811 Supportive Housing for Persons with Disabilities programs continue to be an important tool in providing new and affordable housing for the elderly and disabled. The Fiscal Year 2009 Omnibus Appropriations bill, as approved by the House, included a $30 million increase ($765 million) for the Section 202 program as well as a $13 million increase ($250 million) for the Section 811 program. The Committee on Financial Services expects to continue work on legislation to reform and modernize these programs to increase efficiency and preserve the affordability of aging supportive housing developments.

AFFORDABLE RENTAL HOUSING

Section 8 Voucher Program

The budget increases funding for the Section 8 housing choice voucher program, which serves more than 2 million low income families, and emphasizes the need for enactment of voucher reform legislation. While voucher funding formula changes put in place two years ago through the appropriations process have increased voucher usage and efficiency, the enactment of comprehensive authorizing reform legislation, including funding formula, rent, inspection, and other reforms would increase program effectiveness. Therefore, we expect the Committee on Financial Services to work again towards the enactment of the Section 8 Voucher Reform Act (SEVRA). Congress has approved funding for incremental housing vouchers for veterans and disabled persons the last few years. Such efforts should be continued and expanded to fund incremental vouchers for project-based assistance for new construction and substantial rehabilitation of units serving extremely low income families.

Project-Based Section 8

The recently approved funding of $2 billion in the ARRA for contract renewals for project-based Section 8 units will enable HUD to return to a practice of funding full year renewals of contracts for project-based Section 8 units. This addresses a problem which was beginning to undermine the confidence of owners and lenders in the project-based program and threatening to mire HUD down in administrative backlogs as large numbers of contracts were starting to expire in the first few months of each new fiscal year. This funding will permit Congress and HUD to return to a focus on authorizing and regulatory changes which, when combined with needed additional resources, can address rehabilitation and preservation needs for this important stock of affordable housing.

Public Housing

The recently enacted American Recovery and Reinvestment Act of 2009 approved $4 billion in funding for the Public Housing Capital Fund, which is used to repair and maintain units. Additionally, the both the Public Housing Capital and Operating Funds received increases in the Fiscal Year 2009 Omnibus Appropriations, which has been approved by the House. Under the House bill, the Public Housing Capital Fund is set to receive $2.5 billion, $11 million above 2008. The Public Housing Operating Fund is set to receive $4.5 billion, $255 million above 2008. These funds are crucial for the preservation of units in the affordable public housing stock.

The Omnibus Appropriations bill, as approved by the House, would include a $20 million increase ($120 million) for the HOPE VI program. The Committee expects to continue work on a comprehensive HOPE VI reform bill designed to foster efficiency while increasing tenant protections. The Committee will also examine the role of the prohibition of demolition only grants, one for one replacement requirements and the tenant eligibility standards on the availability of decent and affordable housing program.

McKinney-Vento Homeless Assistance Grants

The McKinney-Vento program is one of the few programs that have received steady funding increases over the last 8 years, and the recently enacted American Recovery and Reinvestment Act provided an additional $1.5 billion to provide immediate assistance to families and individuals at risk of homelessness. Congress very nearly enacted comprehensive reauthorization and reform legislation last year for the McKinney-Vento homeless prevention programs, to provide important changes to make the program more effective. It is important for this legislation to be enacted in the near future.

COMMUNITY AND ECONOMIC DEVELOPMENT

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure, and affordable housing needs. The Fiscal Year 2010 HUD budget provides full funding for the Community Development Block Grant program at $4.5 billion. In addition, the Budget reforms the program's formula to better target economically distressed communities.

While the Committee supports the Administration's effort to eliminate ineffective or duplicative programs, the Committee is concerned about the elimination of the Section 108 loan guarantee program. The program-which provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects-has created over 52,000 jobs in communities that are more distressed than those of average CDBG grantees. The Committee believes that its is unlikely that the program's activities will be funded out of the larger CDBG program because the amount of funds needed for Section 108 projects is up to 5 times larger than a jurisdiction's CDBG allocation. The Committee is concerned about the impact the elimination of this program will have on low-income and minority areas, especially at a time when unemployment is increasing and neighborhood conditions are deteriorating.

RURAL HOUSING

The Committee notes that the American Recovery and Reinvestment Act of 2009 included $11 billion in additional funding for the Section 502 single family direct and guaranteed loans programs, which will help to address the recent increase in loan volume resulting from the mortgage crisis. While the Committee notes that the Administration's budget summary does not include a reference to rural housing, we hope that the budget, when released, will place an emphasis on preserving Section 515 multi-family properties, which help to house low and very-low income families. In addition, the Committee will look at how best to address the loan commitment authority of Section 502 programs.

AFFORDABLE HOUSING TRUST FUND

The Housing and Economic Recovery Act of 2008 created the National Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable rental housing for extremely low and very low income residents. HUD is to establish and manage the Trust Fund to provide grants to the states for affordable housing. The Trust Fund was originally to be funded by assessments on Fannie Mae and Freddie Mac. However, these assessments have been suspended given their financial difficulties. The Administration's FY 10 budget restores funding for the Housing Trust Fund by requesting $1 billion.

FEDERAL HOUSING ADMINISTRATION

As private sector lenders have all but disappeared from the single family mortgage markets, FHA has significantly increased its market share from less than 5 percent to more than 20 percent, providing a critical source of affordable mortgage loans for a troubled housing sector. Last Congress, comprehensive legislation was adopted to reform FHA and to increase mortgage limits to make the program viable in higher cost housing markets. Increased delinquencies and foreclosures across the nation will mean that the financial health of the FHA program needs to monitored, particularly in light of growing FHA loan volume. The Committee will conduct stringent oversight over the impact of programs such as Hope for Homeowners and bankruptcy cram down on the future viability of the FHA insurance fund and Ginnie Mae. At the same time, it is critical that FHA single family mortgage loans continue to be available and affordable, both for the purpose of assisting existing homeowners with refinancing and for providing loan sources for new homebuyers as part of the need to stabilize housing markets. In addition, the Committee will continue to monitor FHA's ability to oversee FHA-approved lenders/licensees, employ appropriate technology and manage its human capital.

SECURITIES AND EXCHANGE COMMISSION

The House-passed omnibus appropriations bill included $943 million as the SEC's funding for FY 2009, 4 percent more than the FY 2008 congressionally approved budget—a significant increase over the past administration's FY 2009 request of $913 million. The Financial Services Committee requested an increase over the FY 2009 administration request to provide the funding necessary to restore staffing in the SEC's enforcement division to FY 2005 levels. This funding request was particularly important given the significant level of turmoil the financial markets continue to face. The allegations against money manager Bernard L. Madoff, who is charged with defrauding individual and institutional investors of billions of dollars, highlights the need for the Commission to have adequate inspections and examination and enforcement programs. Congress must ensure that the Commission is adequately funded and staffed, and that the Commission uses its resources effectively in achieving its mission to protect investors.

A more efficient and technologically proficient inspections and examination program that identifies operational, financial, sales practice violations and other compliance failures well before these problems are referred to the enforcement division should help restore investor confidence in the securities markets. The administration's proposal to boost the SEC's budget by $118 million, or 13 percent over the 2008 level, will permit the agency to strengthen its enforcement and inspections and examination functions. The Committee will explore the Commission's failure to follow up on the various allegations that were made regarding Bernard Madoff and Allan Stanford, the conclusions the Commission has drawn from these incidents, and what changes the Commission is making to ensure that similar lapses do not occur again in order to restore investor confidence.

Over-the-Counter Derivatives and Systemic Risk

The budget also calls for a 44 percent increase in the budget of the Commodity Futures Trading Commission (CFTC). Like the SEC, the CFTC is faced with the continual challenge of maintaining a supervisory capacity that is equal to a constantly innovating industry. As the CFTC budget has grown little in recent years, the significant increase proposed by the Administration is appropriate.

The increase in resources will help the CFTC to implement the limited new authority provided in the 2008 Farm Bill for the CFTC to oversee electronic trading in commodities such as energies and metals only. It should not be used, however, to create new CFTC-led oversight of the broader over-the-counter (OTC) derivatives market.

The CFTC does not have broad authority with respect to over-the-counter derivative trading, nor does it have authority over the financial markets that underlie derivative instruments. The Committee plans to take up legislation to create a systemic risk regulator with over-arching authority and a mandate to address emerging threats to the financial system. Oversight of the OTC derivative markets should be handled in the context of broader systemic risk regulation.

OFFICE OF THRIFT SUPERVISION

The Committee notes that consumer complaints at the Office of Thrift Supervision (OTS) are handled by 26 full-time equivalent employees (FTEs) at a cost of $4.4 million, an increase from last year when 21 FTEs and $3,664,332 were allocated for this function. As part of its oversight responsibility, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

Last year, the Committee expressed its intent that the OTS dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination workforce at OTS, given that a significant percent of current staff will be eligible for retirement by 2012. OTS has planned to increase staffing to 1095 FTEs in 2009 budget and has experienced a 97 percent retention rate. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce.

The Committee also supports OTS efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Committee notes that consumer complaints are handled through the Customer Assistance Group in Houston, which received 95,000 calls in 2008, of which approximately 37,000 were complaints and 58,000 were inquiries. The projected consumer assistance FTE target for 2009 is the equivalent of 91 FTEs and a budget of $12.1 million, an increase from the 65.5 FTEs and 22 contractors with a $9.1 million budget last year. The Committee supports additional resources and FTEs for this effort. In the exercise of its oversight function, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

In 2008, the Office of the Comptroller of the Currency (OCC) spent $93.4 million on their regulatory program, which includes enforcement. In 2009, their estimated spending is $102.3 million. Last year, the Committee expressed its intent that the OCC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination workforce at OCC. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports OCC's special authority from the Office of Personnel Management (OPM) to rehire up to 25 FTEs of recently retired bank examiners. The Committee also supports OCC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

FEDERAL DEPOSIT INSURANCE CORPORATION

The Committee notes that consumer complaints are handled by 28 FTEs and $7.2 million is allocated for these functions, a significant increase, due to higher contract costs for the Washington call center, and a reflection of the increased call volume. Last year, 33 FTEs in 2 call centers and $4 million was budgeted for these functions. In 2008, the Federal Deposit Insurance Corporation (FDIC) responded to 6,267 written complaints and 502 inquiries regarding state nonmember institutions. In addition, the FDIC responded to 4,211 calls regarding state nonmember institutions. During 2008, the FDIC received 18,953 written deposit insurance inquiries from consumers and bankers. This activity represents a 360 percent increase over 2007, where the FDIC received 4,125 written deposit insurance inquiries.

In addition to written deposit insurance inquiries, the FDIC received 81,979 telephone inquiries from consumer and bankers during 2008. In contrast, the FDIC replied to 15,899 deposit insurance telephone inquiries for the entire year in 2007. The 2008 activity represents a 415 percent increase over 2007. In the exercise of its oversight function, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The FDIC estimates that it will devote approximately $72 million to enforcement of consumer protection laws and regulations in 2009. Last year, the Committee expressed its intent that the FDIC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination and resolution workforce at the FDIC. The FDIC Board has increased authorized field examiner staffing levels over the last two years and is filling many these new positions in with retired examiners who are being employed under a waiver of dual compensation authority delegated to the FDIC by OPM. Currently, there are 171 re-employed annuitants employed by the FDIC, primarily in supervision and resolution. The Committee supports this waiver as a means to ensure an experienced workforce to address the emerging problems in the banking industry and to increase supervisory resources available for training new examiners. Furthermore, the Committee supports the FDIC's targeted recruiting of displaced financial services employees with appropriate expertise to meet their hiring goals of 180 additional Financial Institution Specialists this year. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports FDIC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

The Committee supports continued FDIC efforts to identify small-dollar loan programs that provide an affordable alternative to payday and other high cost loans.

NATIONAL CREDIT UNION ADMINISTRATION

The Committee notes that the National Credit Union Administration (NCUA) established a toll free Central Office Consumer Hotline in July 2007, and that currently 1.5 FTE and $220,000 are dedicated to this Hotline. The agency has also allocated up to 15 staff to this task for high volume periods, specifically to respond to more than ten thousand inquiries regarding credit union share insurance over the past several months. The Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The NCUA estimates that it will devote approximately $8 million and 56 FTEs to regulatory enforcement, including the enforcement of consumer protection laws and regulations in 2009. This is an increase from last year, when 45 FTEs and $6.8 million was allocated to these efforts. Last year, the Committee expressed its intent that the NCUA dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. We expect that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination staffs at the NCUA, as 8 percent of all staff and 26 percent of senior staff are eligible to retire in 2009. Nearly half of the senior staff will be eligible to retire in five years. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports NCUA efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

DEBT RELIEF

For many years, this Committee has worked in a bipartisan way on efforts to provide debt relief for the world's poorest countries as an essential component in the overall effort to help alleviate the desperate poverty and misery that exists in many parts of the world. While forgiving this debt is not sufficient to solve all the problems of poverty in Africa and elsewhere, the Committee continues to evaluate debt relief efforts as a mechanism to alleviate poverty in the developing world.

The Committee's continued commitment to debt relief was evidenced by House passage in the last Congress of the "Jubilee Act for Responsible Lending and Expanded Debt Cancellation," which would expand debt cancellation many low-income countries not covered by existing debt-relief programs, require greater creditor transparency, and prohibit harmful economic and policy conditions.

The Committee supports full funding for all current U.S. commitments to the Highly Indebted Poor Country Initiative (HIPC) Trust Fund, as well as the 2005 Multilateral Debt Relief Initiative (MDRI), to which the U.S. contributes through its annual appropriations to the World Bank's International Development Association (IDA). The Committee notes, however, that the current U.S. approach to financing its MDRI obligations through IDA has the potential to shortchange debt-relief initiatives if the U.S. does not fully fund its regular contributions to IDA on time. Or, if the US goes into arrears to IDA, as currently is the case, current financing terms dictate that any funding the U.S. provides to clear arrears first cover shortfalls in U.S. commitments to IDA, rather than to meet U.S. debt relief commitment to the MDRI.

To address this, the Committee will consider IDA funding requests with an eye towards having the IDA and MIDRI requests treated as separate appropriations.

GOVERNMENT SPONSORED ENTERPRISES

The housing Government Sponsored Enterprises (GSEs) – Fannie Mae, Freddie Mac, and collectively the twelve Federal Home Loan Banks – are among the largest financial institutions in the United States, with more than two trillion dollars of outstanding debt obligations. Fannie Mae and Freddie Mac own or guarantee approximately $5.3 trillion of the $12 trillion in home mortgages outstanding, and the GSEs continue to play a significant role in providing liquidity to financial institutions for mortgage financing, notwithstanding the global credit crisis.

In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) was enacted. This law established, among other things, a new independent agency, the Federal Housing Finance Agency (FHFA), to oversee the GSEs, and endowed the agency with broad supervisory and regulatory powers over operations, activities, corporate governance, safety and soundness, and mission. As a result of the law, funding for the FHFA continues to come from assessments on the GSEs, but those funding levels are no longer part of the appropriations process. HERA also gave the Department of the Treasury standby authority to buy stock or debt in Fannie Mae and Freddie Mac until December 31, 2009.

In February 2009, the President signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009, which extended the increase in the GSE's conforming loan limits that was provided on a temporary basis in the Economic Stimulus Act of 2008. Permitting the GSEs to continue to buy these loans provides critical liquidity to mortgage markets, especially in those areas with greater than average higher housing costs, even as the mortgage and credit markets experience ongoing severe disruptions.

Like many other financial institutions, the GSEs have suffered in current difficult economic environment. Fannie Mae and Freddie Mac began reporting losses in 2008 due to deteriorating credit quality requiring write-downs in the value of their assets, and increasing debt costs resulting in higher expenses. Concerns about the capital positions of Fannie Mae and Freddie Mac in light of these losses caused the FHFA to place those entities in conservatorship in September 2008; continuing losses since then have caused both entities to draw upon the Treasury line of credit authorized by HERA. A number of the Federal Home Loan Banks also have experienced strains and are expected to report fourth quarter 2008 losses. The increased level of government involvement in the GSEs resulted in a decision of the Congressional Budget Office (CBO) to incorporate the transactions of Fannie Mae and Freddie Mac within the federal budget.

The administration also would increase Treasury's potential capital commitment to the GSEs to $400 billion. The administration will not fully incorporate Freddie Mac and Fannie Mae in its budget presentations at this time. That said, the administration has indicated its intention of doing so in the next budget. The difference in treatment by CBO and the Office of Management and Budget will explain, in part, the difference in the agencies' deficit estimates.

The Committee will closely monitor the actions of Treasury and the FHFA in their exercise of authorities granted in HERA, and will provide oversight over the use of the GSEs to mitigate the ongoing credit, housing and foreclosure crises. The Committee also will consider, as a part of its comprehensive review of financial services industry oversight, the purpose, structure and functions of the GSEs, and proposals to improve, consolidate, and reform the GSEs and their ability to maintain and revitalize the mortgage markets.

Office of Inspector General, Treasury, Federal Deposit Insurance Corporation and National Credit Union Administration

Under current law, the Offices of Inspectors General must conduct a Material Loss Review (MLR) when a federally supervised institution fails and results in a loss to the deposit insurance fund of more than $25 million or 2 percent of the institution's total assets at the time of receivership. This threshold, set 25 years ago, has had the practical effect of preventing the Inspectors General from performing virtually any other functions in this current climate. The inspectors general have requested and we are considering legislation to raise that threshold to a level of between $300 million and $500 million. However, the Committee believes that the inspectors general need more resources, even if this threshold is raised, because we will still want the Inspectors General to review losses below the threshold that present issues of fraud, supervisory problems or reveal patterns of waste or abuse. For example, at the Treasury Inspector General, if the MLR threshold remains at $25 million, they will need 60 additional FTEs, at a cost of $10.5 million to keep pace with their current workload. If the threshold is raised to $500 million, Treasury Office of Inspector General estimates it will need to perform 40 MLRs over the next 2 years and will need 15 additional FTEs. If the threshold were raised to $750 million (which has not been contemplated), Treasury could manage with its current level of FTEs, but would continue to defer all other nonmandated work, which means that there are significant areas that have not been audited over the last decade. Therefore, the Committee recommends adding 30 FTEs to the Office of Inspector General at the Department of Treasury at a cost of $5 million to ensure that they are able to undertake certain postponed auditing projects. These include: the administration of the public debt, which currently stands at $9 trillion and is expected to increase by a trillion dollars a year for the near term; Financial Management Service's disbursement and benefit delivery systems, which are approximately $1.8 trillion annually; OCC and OTS risk anticipation and mitigation processes and consumer protection issues; and International Assistance Programs, including U.S. initiatives to improve the effectiveness in multilateral development programs.

In addition, the Committee believes that the FDIC's Inspector General would benefit from an additional $7 million to hire full time employees and sufficient contractor resources to permit it to conduct audits on its substantially increased resolution and receivership activity. Based on preliminary data, as of the end of 2008, the number of receiverships had grown to 41, with assets in liquidation totaling $15 billion, reflecting a 46 percent and 1,623 percent change, respectively. Further, if the FDIC's Inspector General were to have these additional resources, it could audit many of the new programs and activities established in response to the economic downturn which pose substantial short- and long-term risk, including reputational risk, to the FDIC, including the implementation of FDIC's loan modification program (piloted at IndyMac and a condition of several large FDIC-facilitated institution sales), the Temporary Liquidity Guarantee Program, the TARP's Capital Purchase Program, and loss share provisions related to resolution and asset disposition agreements.

Similarly, the Office of the Inspector General for the National Credit Union Administration, who has a Material Loss Review threshold of $10 million, is currently performing no audit work. While NCUA has not requested that its threshold be raised, the Committee believes that they should receive additional resources in the amount of $ 750,000 dollars so that they can perform much needed overdue audits. These topics include: NCUA's Asset Management Assistance Center to determine whether it is disposing of assets in the most cost effective manner; Corporate Credit Unions; quality control review process of credit union examinations; whether the examination process adequately assesses third party relationships; and whether examiners consistently apply CAMEL ratings.

The Committee believes these additional resources for these inspectors general are a crucial component of the committee's requirement to ferret out waste, fraud and abuse and make recommendations for improved governmental performance in our budget views and estimates.

Multilateral Development Banks

The Committee strongly supports full funding to meet current U.S. obligations at the multilateral development institutions for FY 2010, including the clearance of any outstanding arrears.

The Committee is aware of discussions regarding a possible request for the U.S. to participate in a capital increase for the Inter-American Development Bank (IDB). It is unclear at this time whether the Administration will decide to support such a capital increase, and if it does, whether such a request would be included in the budget for the next fiscal year. While that decision is considered, Congress will continue to monitor very closely any remedial actions the IDB adopts and implements in response to the recent, significant losses in its investment portfolio, including adoption of a major revision of its current Independent Investigation Mechanism to make it independent, effective, transparent, adequately funded, and readily accessible to affected people. Should a request for a capital increase for the IDB be sent to Congress, Congress will consider the request in the context of whatever structural and active oversight changes the IDB makes with regard to the management of its investment portfolio, and the degree to which the necessary changes to its inspection mechanism have been implemented.

The Committee is aware that the Asian Development Bank (ADB) is also seeking a general capital increase from its donor countries, although it does not appear likely that such a request, if agreed to by the Administration, would be reflected in the Administration's FY10 budget request. If the Administration does send a request to Congress to authorize US participation in an ADB capital increase, the Committee will consider it in the context of the degree to which the ADB's current Safeguard Policy Update exercise preserves, strengthens, or weakens the current social and environmental policies of the institution.

With regard to funding for the 15th replenishment of the World Bank's International Development Association (IDA), the concessionary window for the world's poorest countries, the Committee will consider it in the context of the willingness of the Bank to revise or remove the labor-related indices and the non-wage labor cost index of the World Bank's annual "Doing Business" report.

INTERNATIONAL MONETARY FUND

In November 2008, the Treasury Department sent a legislative request to Congress that would increase the United States' quota in the International Monetary Fund (IMF) as part of a quota reform agreement that was struck by the IMF's member countries earlier in the year. The agreement and legislative request also included a plan to sell a portion of the IMF's gold holdings in order to establish a trust fund that would be the source of the IMF's administrative budget going forward. In the event that the November 2008 request is included in the FY2010 budget request, the Committee will be prepared to consider it and the extent to which it supports broader goals of reforming the IMF and improving its effectiveness in the midst of the current global economic crisis.

EXPORT-IMPORT BANK OF THE UNITED STATES

As a result of changes in the FY2008 budget, the U.S. Export-Import Bank (Exim) now funds its lending operations through fees and earnings and does not receive an annual appropriation. Exim does face an annual limitation on the amount of income it can use to support new lending and the size of its lending portfolio is limited to $100 billion. The Committee will consider the adequacy of the current authorization level for Bank lending as well as other potential constraints on the Bank's ability to play a greater role in filling the gap in trade finance resulting from the credit crisis. The Committee will also closely monitor the Bank's competitiveness relative to foreign export credit agencies (ECAs), with particular attention to competitiveness with the export credit practices of countries that are not members of the Organization for Economic Co-operation and Development.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The Committee is pleased that the President's fiscal year 2010 budget seeksto expand lending in underserved neighborhoods by doubling funding for the Community Development Financial Institutions (CDFI) Fund. The CDFI Fund has been at the forefront of efforts to address the needs of underserved communities. Combined with the additional funding ($100 million) made available to the CDFI Fund through the American Recovery and Reinvestment Act of 2009, the anticipated fiscal year 2010 appropriations of at least $200 million will enable CDFIs to continue their mission and increase lending to, and investments in, many of the nation's neediest communities that have been hard hit by the current financial crisis.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001 terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Extension Act of 2005 (P.L. 109-144) that extended TRIA through December 31, 2007. In response to the continued unavailability of terrorism risk reinsurance in the private market, Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (P.L. 110-160) to extend TRIA through calendar year 2014.

The President's budgets for FY 2004 through FY 2008 did "not include estimates of the timing and magnitude of potential insurance claims under the [TRIA] program. . . . [g]iven the uncertainty surrounding the risk of future terrorist attacks." However, the FY 2009 budget included an estimated Federal cost of providing terrorism risk insurance in the amount of $416 million, supposedly based on how private insurers price such risk. The estimate included in the President's budget for FY 2009 is significantly greater than the projected outlays estimated by the Congressional Budget Office (CBO), raising concerns about the apparent discrepancy in risk calculations. The Committee recognizes that the President's budget for FY 2010 continues to use the assumptions underlying the President's budget for FY 2009 and the Committee renews its concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008. The Committee needs more information to assess the rationale and data associated with the variance in these estimates. The Committee also notes that the President's budget for FY 2010 calls for revisions to the Terrorism Risk Insurance Program (TRIP) and looks forward to learning more about these proposed revisions.

The President's FY 2009 budget allocated 10 FTEs for the administration of the TRIP within the Department of the Treasury. This allocation is consistent with prior years' allocations for the TRIP and the Committee anticipates agreeing with a similar allocation were it to appear in the President's budget for FY 2010.

Federal Emergency Management Agency

The National Flood Insurance Program (NFIP) experienced unprecedented claims resulting from the 2005 hurricane season and still carries a debt of approximately $18 billion. The 109th Congress increased the NFIP's borrowing authority successively from $1.5 billion to $20.775 billion. The Committee understands the contractual relationship and legal obligation to meet existing policyholder claim obligations and make interest payments on outstanding debt. Annual interest payments are estimated to be as high as $800 million, sometime representing more than one quarter of the annual revenue of the NFIP. The NFIP estimates that even absent a catastrophic flooding event it may need increased borrowing authority during FY 2010.

In November 2007, the House passed a bill to reform the NFIP and to reauthorize the program for five years past its then-current, September 30, 2008 expiration. If passed the bill would strengthen the NFIP by increasing participation in the program, removing subsidies for certain pre-FIRM properties, strengthening mitigation programs to better protect homes from flooding, authorizing flood map modernization programs to improve risk assessment, and increasing accountability for the NFIP and FEMA in executing the program. In September 2008, and again in March 2009, the Congress passed legislation temporarily reauthorizing the NFIP to allow time for the House and Senate to agree on substantive reforms for the program before the end of FY 2009. In particular, the risk-based pricing reforms contained in both the House and the Senate versions of a long-term reauthorization measure are extremely important to the fiscal integrity of the program.

The Committee is concerned about several reports by the Government Accountability Office (GAO) regarding the NFIP claims process, as well as, the rating methods used by the NFIP. The Committee was encouraged to learn that the President's budget for FY 2009 budget requested 18 additional FTEs to be devoted to addressing the recommendations raised in the several GAO reports released in 2007. Likewise, the Committee anticipates agreeing with similarly increased allocations were they to appear in the President's budget for FY 2010. The Committee will continue to work with FEMA to review the fiscal and operational conditions of the NFIP and to garner better understanding of any additional legislative authority needed to achieve the reforms necessary to ensure the NFIP's continued viability.

Federal Reserve and Treasury Department Transparency

The Committee should assess the extent to which appropriated Treasury funds are used to fund the Federal Reserve's temporary funding facilities and assess the impact of Federal Reserve funding facilities on the budget, including whether the GAO should undertake a comprehensive audit of the Federal Reserve, whether the recipients of Federal Reserve funds should be publicized, or other possible measures.

Protecting Home Ownership

Millions of Americans are struggling to make their mortgage payments every month. This Committee is determined not to make those challenges any greater by imposing increased financial burdens, indirectly or directly, on homeowners or on the cost of homeownership.

MORTGAGE RELIEF FAIRNESS

The majority of Americans are meeting their mortgage obligations and many qualified Americans are obtaining or seeking mortgage relief. This Committee will seek to prevent mortgage loan originators and homeowners who were convicted of mortgage related fraud from obtaining mortgage relief through any program directly or indirectly supported by taxpayer funds or a federally insured institution.

Dissenting Views

The following represents the views of the Republican Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2010.

March 13, 2009

HOUSING AND COMMUNITY OPPORTUNITY

SUMMARY

The President's 2010 budget commits significant amounts to an already ballooning HUD budget. The Obama Administration's $47.5 billion HUD budget request is in addition to the significant HUD funding increases in both the American Recovery and Reinvestment Act of 2009 (ARRA) and the Fiscal Year 2009 Omnibus Appropriations Act. ARRA alone added $13.161 billion to HUD's budget while the 2009 Omnibus contributed almost $38 billion to various housing programs. Many of the programs that will benefit from the funding increases already have billions of dollars in unexpended balances and are plagued by slow spend out rates. The Fiscal Year 2010 HUD budget will add even more to HUD's budget without examining the problems of unexpended balances and slow spend out rates in many of HUD's programs. Furthermore, as described in detail below, a number of the programs to be funded by the President's budget are duplicative or should be reformed to ensure they are run in a cost-effective and efficient manner.

The Republican Members of the Committee remain concerned about program transparency and oversight of eligible entities who receive government funds. For example, the Association of Community Organizations for Reform Now (ACORN) is eligible to receive billions of taxpayer dollars under the President's budget. ACORN qualifies for and receives millions in funding as a HUD-certified housing counselor through HUD's HOME and Community Development Block Grant programs. According to a 2008 analysis conducted by House Republicans, ACORN has received at least $53 million in direct Federal funding since 1994. The group receives millions more from the government through indirect funding from states and cities. At a time of financial distress, Congress should not reward bad actors that illegally manipulate our electoral process. Last Congress, eligibility standards were included in Public Law 110–289, the "Housing and Economic Recovery Act of 2008" (HERA), which barred groups such as ACORN from receiving assistance under the Neighborhood Stabilization Program. ACORN was rendered ineligible for funding through language that prevented any group indicted for Federal election fraud or that hired an individual indicted for Federal election fraud from accessing funds made available through the neighborhood stabilization program. These same safeguards and restrictions should be incorporated in the Administration's budget and be applied across all government programs.

The Republican Members of the Committee believe, as America moves deeper into recession, the last thing our leaders should do is raise taxes and increase spending. The President's FY 2010 budget does both. This is the time to show the American people that the Committee understands the economic pain they are suffering and show them the Committee is willing to tighten our belt. President Obama committed to performing top-down reviews of every government agency and program during the 2008 presidential campaign. As the Administration embarks on monumental spending increases, the Republican Members of the Committee would remind the Administration of its promise and pledge to support a spending freeze until a top-down review of government agencies and programs is completed.

FORECLOSURE MITIGATION AND CRAM DOWN

President Obama has announced a three-part Homeowner Affordability and Stability Plan to help up to 9 million borrowers. The plan includes (1) a refinancing plan for mortgages owned by Fannie Mae or Freddie Mac; (2) a $75 billion loan modification program; and (3) a commitment of $200 billion to purchase Fannie and Freddie preferred shares. Funding for the modification plan will come from the Troubled Asset Relief Program (TARP) and the Government Sponsored Enterprises (GSEs). While the Republican Members of the Committee understand the need to address the rising foreclosure rate in this country, we are concerned that any government plan must ensure that unscrupulous and irresponsible actors will not be bailed out by the overwhelming majority of working families that have lived responsibly within their means.

The House recently passed H.R. 1106, the "Helping Families Save their Homes Act of 2009," over the objections of a majority of Republicans, which would allow bankruptcy judges to restructure principal residence mortgages that are under threat of foreclosure. Under the bill, bankruptcy courts will be able to reduce (or "cram down") mortgage principal; adjust interest rates; extend maturity dates; disallow creditor claims on mortgages subject to rescission under the Truth in Lending Act; and limit recovery of mortgage-related creditor fees. The Republican Members of the Committee are concerned that H.R. 1106 threatens to undermine recent measures taken to unfreeze credit and will have a detrimental effect on housing. The Standard & Poor's rating agency and others warn that bankruptcy cram downs will cause the securities tied to these loans to lose value and force ratings downgrades for broad classes of mortgage-backed securities (MBS) – requiring banks and insurance companies to increase MBS-associated capital reserves by up to hundreds of billions of dollars. Lenders' increased risk will lead to higher interest rates and down payment requirements throughout the mortgage market.

Hope For Homeowners

Last year, Congress enacted the Hope for Homeowners program, which was designed to provide Federal Housing Administration (FHA) loans for at risk borrowers, combined with a requirement for existing lenders to write down existing loans to below the home's current market value. Since its inception, Members have raised concerns about the effectiveness of the Hope for Homeowners program, and, as predicted, this program has been a failure by virtually every metric. The Committee was told at the time by its sponsors that this legislation would help hundreds of thousands of struggling borrowers with negative equity obtain more sustainable mortgages guaranteed by the FHA. Some six months after its creation, the Hope for Homeowners program has fallen far short of those expectations, receiving some 701 applications and closing on a mere 50 loans. The Congressional Budget Office (CBO) now estimates the program will assist only 25,000 at a cost of $579 million, or just over $23,000 per assisted family. Congress should eliminate this program because it is ineffective, costly and does not maximize the taxpayer's investment in providing foreclosure mitigation to distressed homeowners.

Neighborhood Stabilization Program

Congress has appropriated approximately $6 billion in two rounds of funding for the Neighborhood Stabilization Program, designed to provide emergency assistance to state and local governments for the redevelopment of abandoned and foreclosed homes. Congress should monitor the utilization of these program funds to maximize their efficiency and effectiveness, as well as evaluate the capacity of states and nonprofit groups in the deployment and strategic use of these funds. The Republican Members of the Committee are concerned about the spend out rate of Neighborhood Stabilization funds as well as the perverse incentive the program offers to banks and other lenders to foreclose on troubled borrowers. The Neighborhood Stabilization Program was enacted on July 30, 2008 with a $4 billion initial appropriation. To date, none of these original stabilization funds have been disbursed and yet this Congress authorized approximately $2 billion in additional funding for this program in the Economic Stimulus package. The Republican Members of the Committee remain concerned about the program's transparency and oversight of eligible entities for Neighborhood Stabilization funding, including groups like the Association of Community Organizations for Reform Now (ACORN).

AFFORDABLE HOUSING

National Housing Trust Fund

Created by the Housing and Economic Recovery Act of 2008 (HERA), the Trust Fund was originally to be funded by Fannie Mae and Freddie Mac. Given the GSE's current status in conservatorship, this is not possible and the President has requested $1 billion in funding. The Fund's mission, as stated in the President's FY '10 Budget, is "to finance the development, rehabilitation, and preservation of affordable housing for very low income residents." The Republican Members of the Committee are concerned that the Trust Fund duplicates the efforts of other programs, such as the HOME Investment Partnerships program that is tasked with providing grants to states and local governments to implement strategies designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. Of equal concern is the availability of Trust Fund monies to non-profit groups, such as the Association of Community Organizations for Reform Now (ACORN), which has been implicated in Federal election fraud.

Housing Counseling

The Republican Members of the Committee continue to believe that counseling is an important component of the successful homeownership process. Homebuyer education is the most cost effective way to educate renters and homeowners to help them make informed financial choices and avoid high-risk, high-cost loans that place them at greater risk of foreclosure. However, the Republican Members of the Committee are concerned about funding levels and misuse of housing counseling funds by certain groups. The FY 2009 Omnibus appropriations bill contained over $100 million for counseling programs---$65 million through HUD and $50 million through the Neighborhood Reinvestment Corporation. The Stimulus included $200 million for Neighborhood Stabilization Program "capacity building." The Association of Community Organizations for Reform Now (ACORN), as a HUD-approved counseling agency, could avail itself of these monies.

Housing for the Elderly (Section 202)

Section 202 provides assistance to expand the supply of housing with supportive services for the elderly. The Fiscal Year 2009 Omnibus Appropriations bill, as approved by the House, included a $30 million increase ($765 million) for the Section 202 program. The Republican Members of the Committee will continue to work with the Democratic majority to ensure the viability of this important program. In the 110th Congress, the House passed H.R. 2930, "Section 202 Supportive Housing for the Elderly Act of 2007" under suspension. The bill would allow project sponsors to recover funds due to unexpected project costs and emergencies; delegate capital grant application processing of mixed finance projects to state or local agencies; facilitate the conversion of projects to assisted living facilities; require senior preservation rental assistance contracts to prevent tenant displacement; and extend project sponsorship to national non-profits. The Republican Members of the Committee understand how important it is to reevaluate programs and seek ways to improve their administration and operation. The Republican Members of the Committee are concerned that the Section 202 program currently has an unexpended balance of $4.4 billion. We want to ensure that funds for this program are disbursed as quickly and efficiently as possible to meet the significant housing needs of this most vulnerable segment of our population. We will continue to seek assurances that the mission of the Housing for the Elderly program is not compromised.

Supportive Housing for Persons with Disabilities (Section 811)

The Section 811 program provides assistance to expand the supply of housing equipped with supportive services for persons with disabilities. The FY 2009 Omnibus appropriations bill, as approved by the House, included a $13 million increase ($250 million) for the Section 811 program. In the 111th Congress, the Republican Members of the Committee look forward to working on bipartisan legislation to make the program more cost effective and efficient. The Republican Members of the Committee will monitor the spend-out rates of the Section 811 program, which currently has a $1 billion unexpended balance.

Section 8 Voucher Program

The Administration's budget request would increase funding for the Housing Choice Voucher program for FY 2010. While the details of the funding increases proposed by the Obama Administration have not been provided to the Committee, the FY 2009 Omnibus appropriations bill appropriated $16.8 billion dollars for the program, which was an increase of $341 million over the FY 2008 appropriated levels (P.L. 110-161). The Section 8 housing voucher program is the nation's largest low-income housing assistance program helping over 2 million low-income households, elderly and disabled, secure affordable housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families and utilizes almost 50 percent of HUD's discretionary budget. Given the growing size of the Section 8 program, it is critical to make improvements in the delivery of housing assistance to families in need. The Republican Members of the Committee continue to believe that our ultimate aim should not necessarily be to expand this program, but instead to reform it to allow Public Housing Agencies (PHAs) to serve more people. This is important not only philosophically, but practically, because the Committee faces a situation of growing waiting lists for Section 8 vouchers without the resources to serve everyone. Also, we believe that the Committee must encourage Section 8 recipients to move toward self-sufficiency so that the Committee can provide a similar helping hand to those who have patiently waited, in some cases for almost ten years, for assistance.

Homelessness Prevention

The Republican Members of the Committee are committed to addressing the needs of homeless persons and families and looks forward to working to accomplish this goal. We are pleased to see the President's Budget expands homelessness prevention programs for veterans. According to the President's budget summary, the budget will expand "current services to homeless veterans through a collaborative pilot program with non-profit organizations. This pilot will help maintain stable housing for veterans who are at risk of falling into homelessness while helping the Department of Veterans Affairs (VA) to continue providing them with supportive services." The veterans homelessness prevention program was based on H.R. 3329, the "Homes for Heroes" Act, which passed the House on July 9, 2008 with strong bipartisan support.

Public Housing

The FY 2009 Omnibus appropriations bill made available $2.45 billion for the Public Housing Capital Fund through September 2012. The stimulus bill provided $4 billion for the Fund. However, the Capital Fund currently has $7 billion in unexpended balances. ($2 billion in 2008; $1.5 billion in 2007; $1 billion in 2006 and $500 million in 2005.) While these funds have been obligated, the "spend out" rate is very slow. Given the backlog in the pipeline, the Republican Members of the Committee believe there must be an effort to determine why there continues to be large unexpended balances. Furthermore, the FY 2009 Omnibus appropriations bill provided for $20 million of Capital Fund monies to be used to address "crime and drug-related activities" and other emergencies and natural disasters. This initiative resembles the Drug Elimination Program, which was a failed and duplicative initiative, eliminated by the Bush Administration. The Public Housing Operating Fund received $4.5 billion from the 2009 Omnibus, $255 million above 2008 levels.

COMMUNITY AND ECONOMIC DEVELOPMENT (CDBG)

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure, and affordable housing needs. The Fiscal Year 2010 HUD budget provides full funding for the Community Development Block Grant program at $4.5 billion. In addition, the Budget proposal reforms the program's formula to better target economically distressed communities. In addition to the $4.5 billion from the President's FY 2010 budget, the CDBG program will receive $3.6 billion available through September 2011 from the FY 2009 Omnibus appropriations bill and $1 billion from the Stimulus. The Republican Members of the Committee believe strong oversight of this program will promote transparency and accountability. For example, the Association of Community Organizations for Reform Now (ACORN), a group which has been implicated in numerous cases of Federal election fraud, has received millions of

Federal block grant monies from states and localities, according to a 2008 analysis by the Republican Leader.

Rural Housing

The Republican Members of the Committee note that the American Recovery and Reinvestment Act of 2009 included $11 billion in additional funding for the Section 502 single family direct and guaranteed loans programs, which will help to address the recent increase in loan volume resulting from the mortgage crisis. The Republican Members of the Committee believe that the Committee should continue to monitor the loan commitment authority of Section 502 programs and examine innovative proposals to address potential funding shortfalls in all Rural Housing Service (RHS) single family and multifamily programs.

Federal Housing Administration

As private sector lenders have all but disappeared from the single family mortgage markets, the Federal Housing Administration (FHA) has significantly increased its market share from less than 5 percent to more than 20 percent, providing a critical source of affordable mortgage loans for a troubled housing sector. Last Congress, comprehensive legislation was adopted to reform FHA and to increase mortgage limits to make the program viable in higher cost housing markets. Increased delinquencies and foreclosures across the nation will mean that the financial health of the FHA program needs to be monitored, particularly in light of growing FHA loan volume. The Administration must be vigilant in its efforts to weed out the bad actors who seek to use the FHA program and pawn their bad loans off on the American taxpayer. As recently as March 9, 2009, *The Washington Post* reported that many FHA borrowers are defaulting on their loans before they even make their first mortgage payment. *The Washington Post* analysis pointed out that in the past year alone, the number of FHA borrowers who defaulted without making their first payment nearly tripled, far outpacing the agency's overall growth in new mortgages. Given this alarming trend, the Obama Administration must make sure that the program has the tools and technology to handle FHA's increased responsibility. With the increase in loan limits and the recent changes in the FHA reverse mortgage program, sufficient resources must be committed to the program to ensure proper monitoring of FHA-approved lenders/licensees, and to ensure that the program is not being abused by those seeking to take advantage of the American taxpayer.

Securities and Exchange Commission

The FY 2009 Omnibus appropriations bill included $943 million as the SEC's funding for 2009, 4 percent more than the FY 2008 congressionally approved budget. The allegations against money manager Bernard L. Madoff, who plead guilty to defrauding individual and institutional investors of billions of dollars, highlights the need for the Commission to have adequate resources to fulfill its mission. Congress must ensure that the Commission is adequately funded and staffed, and that the Commission uses its resources effectively in achieving its mission to protect investors. However, given the SEC's failure in regard to the Madoff fraud and the ongoing investigation by the SEC Inspector General, it would be fiscally irresponsible to significantly increase the Commission's budget without first examining current program efficiencies and without proposing additional program consolidation, elimination, or other savings, including but not limited to returning the functions of the Office of Compliance Inspections and Examinations to the Division of Investment Management and the Division of Trading and Markets. Until the Inspector General releases its report and an examination occurs, a fiscally responsible 4 percent increase, which mirrors the FY 2009 budget increase, would be a sufficient amount to maintain current staffing levels.

FINANCIAL BAILOUT

The budget includes a $250 billion "contingent reserve for further efforts to stabilize the financial system" and indicates that the President anticipates that this reserve would support $750 billion in undefined "asset purchases." The Republican Members of the Committee will reserve judgment on such a vague proposal as it attempts to determine the specific types of actions the Administration is contemplating. We will examine the classes of eligible assets and institutions and also insist that the Administration develop clear guidelines and performance metrics before spending hundreds of billions of dollars. Finally, in evaluating this proposal and other taxpayer-subsidized plans for propping up the financial system, the Republican Members of the Committee will continue to push for an exit strategy that brings an end to the unprecedented government involvement in the private sector.

OFFICE OF THRIFT SUPERVISION

The Republican Members of the Committee note that consumer complaints at the Office of Thrift Supervision (OTS) are handled by 26 full-time equivalent employees (FTEs) at a cost of $4.4 million, an increase from last year when 21 FTEs and $3,664,332 were allocated for this function. As part of its oversight responsibility, we support the Committee's intention to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

Last year, the Committee expressed its intent that the OTS dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination workforce at OTS, given that a significant percent of current staff will be eligible for retirement by 2012. OTS plans to increase staffing to 1,095 full-time employees (FTE's) in the 2009 budget and has experienced a 97 percent retention rate. We support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce.

The Committee also supports OTS efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

Office of the Comptroller of the Currency

The Republican Members of the Committee note that consumer complaints are handled through the Customer Assistance Group in Houston, which received 95,000 calls in 2008, of which approximately 37,000 were complaints and 58,000 were inquiries. The projected consumer assistance FTE target for 2009 is the equivalent of 91 FTEs and a budget of $12.1 million, an increase from the 65.5 FTEs and 22 contractors with a $9.1 million budget last year. The Republican Members of the Committee support additional resources and FTEs for this effort. In the exercise of its oversight function, the Republican Members of the Committee support the Committee's review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

In 2008, the Office of the Comptroller of the Currency (OCC) spent $93.4 million on their regulatory program, which includes enforcement. In 2009, their estimated spending is $102.3 million. Last year, the Committee expressed its intent that the OCC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination workforce at OCC. The Republican Members of the Committee support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We also support OCC's special authority from the Office of Personnel Management (OPM) to rehire up to 25 FTEs of recently retired bank examiners. The Republican Members of the Committee also support OCC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

Federal Deposit Insurance Corporation

The Republican Members of the Committee note that consumer complaints are handled by 28 FTEs and $7.2 million is allocated for these functions, a significant increase, due to higher contract costs for the Washington, D.C. area call center, and a reflection of the increased call volume. Last year, 33 FTEs in 2 call centers and $4 million was budgeted for these functions. In 2008, the Federal Deposit Insurance Corporation (FDIC) responded to 6,267 written complaints and 502 inquiries regarding state nonmember institutions. In addition, the FDIC responded to 4,211 calls regarding state nonmember institutions.

During 2008, the FDIC received 18,953 written deposit insurance inquiries from consumers and bankers. This activity represents a 360 percent increase over 2007, where the FDIC received 4,125 written deposit insurance inquiries.

In addition to written deposit insurance inquiries, the FDIC received 81,979 telephone inquiries from consumer and bankers during 2008. In contrast, the FDIC replied to 15,899 deposit insurance telephone inquiries for the entire year in 2007. The 2008 activity represents a 415 percent increase over 2007. In the exercise of its oversight function, we support the Committee's intention to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The FDIC estimates that it will devote approximately $72 million to enforcement of consumer protection laws and regulations in 2009. Last year, the Committee expressed its intent that the FDIC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination and resolution workforce at the FDIC. The FDIC Board has increased authorized field examiner staffing levels over the last two years and is filling many of these new positions with retired examiners who are being employed under a waiver of dual compensation authority delegated to the FDIC by the Office of Personnel Management (OPM). Currently, there are 171 re-employed annuitants employed by the FDIC, primarily in supervision and resolution. We support this waiver as a means to ensure an experienced workforce to address the emerging problems in the banking industry and to increase supervisory resources available for training new examiners. Furthermore, we support the FDIC's targeted recruiting of displaced financial services employees with appropriate expertise to meet their hiring goals of 180 additional Financial Institution Specialists this year. We support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We also support FDIC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

The Republican Members of the Committee support continued FDIC efforts to identify small dollar loan programs that provide an affordable alternative to payday and other high cost loans.

National Credit Union Administration

The Republican Members of the Committee note that the National Credit Union Administration (NCUA) established a toll free Central Office Consumer Hotline in July 2007, and that currently 1.5 FTE and $220,000 are dedicated to this hotline. The agency has also allocated up to 15 staff to this task for high volume periods, specifically to respond to more than ten thousand inquiries regarding credit union share insurance over the past several months. The Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The NCUA estimates that it will devote approximately $8 million and 56 FTEs to regulatory enforcement, including the enforcement of consumer protection laws and regulations in 2009. This is an increase from last year, when 45 FTEs and $6.8 million was allocated to these efforts. Last year, the Committee expressed its intent that the NCUA dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. We expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination staffs at the NCUA, as 8 percent of all staff and 26 percent of senior staff are eligible to retire in 2009. Nearly half of the senior staff will be eligible to retire in five years. We support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We support NCUA efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

GOVERNMENT SPONSORED ENTERPRISES

The housing Government Sponsored Enterprises (GSEs) – Fannie Mae, Freddie Mac, and collectively the twelve Federal Home Loan Banks – are among the largest financial institutions in the United States, with more than two trillion dollars of outstanding debt obligations. Fannie Mae and Freddie Mac own or guarantee approximately $5.3 trillion of the $12 trillion in home mortgages outstanding, and the GSEs continue to play a significant role in providing liquidity to financial institutions for mortgage financing, notwithstanding the global credit crisis.

In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) was enacted. This law established, among other things, a new independent agency, the Federal Housing Finance Agency (FHFA), to oversee the GSEs, and endowed the agency with broad supervisory and regulatory powers over operations, activities, corporate governance, safety and soundness, and mission. As a result of the law, funding for the FHFA continues to come from assessments on the GSEs, but those funding levels are no longer part of the appropriations process. HERA also gave the Department of the Treasury standby authority to buy stock or debt in Fannie Mae and Freddie Mac until December 31, 2009.

Like many other financial institutions, the GSEs have suffered in the current difficult economic environment. Fannie Mae and Freddie Mac began reporting losses in 2008 due to deteriorating credit quality requiring write-downs in the value of their assets, and increasing debt costs resulting in higher expenses. Concerns about the capital positions of Fannie Mae and Freddie Mac in light of these losses caused the FHFA to place those entities in conservatorship in September 2008; continuing losses since then have caused both entities to draw upon the Treasury line of credit authorized by HERA. A number of the Federal Home Loan Banks also have experienced strains and are expected to report fourth quarter 2008 losses. The increased level of government involvement in the GSEs resulted in a decision of the Congressional Budget Office (CBO) to incorporate the transactions of Fannie Mae and Freddie Mac within the Federal budget.

The rescue of Fannie Mae and Freddie Mac represented an extraordinary Federal intervention in private enterprise and could become the most expensive in history. As a result of the government's intervention, the GSEs' common and preferred shareholders were substantially diluted, and have lost, at least temporarily, their voting rights and dividends. Further, common shares are first in line to absorb losses, followed by preferred shares, which total $36 billion on a combined basis.

The administration's budget also would increase Treasury's potential capital commitment to the GSEs to $400 billion. Following nearly five months of operating under a Federal conservatorship, Fannie Mae and Freddie Mac executives again find themselves torn between satisfying conflicting missions. Rather than grappling with profit-seeking and serving a public purpose, the GSEs today struggle with aligning the government's efforts to spur housing through lower mortgage costs and taxpayers' fears that they will have to bear the costs of large loan defaults. According to the Congressional Budget Office (CBO), the Federal takeover of Fannie Mae and Freddie Mac has added $200 billion to the Federal deficit, in discounted present value terms. By 2019, CBO expects the GSEs to cost the government $310 billion, but anticipates that number will rise dramatically if the GSEs' level of support does not taper soon or if the mortgage markets fail to stabilize quickly.

INTERNATIONAL MONETARY FUND

In November 2008, the Treasury Department sent a legislative request to Congress that would increase the United States' quota in the International Monetary Fund (IMF) as part of a quota reform agreement that was struck by the IMF's member countries earlier in the year. The agreement and legislative request also included a plan to sell a portion of the IMF's gold holdings in order to establish a trust fund that would be the source of the IMF's administrative budget going forward. In the event that the November 2008 request is included in the FY 2010 budget request, the Republican Members of the Committee will support Committee efforts to consider it and the extent to which it supports broader goals of reforming the IMF and improving its effectiveness in the midst of the current global economic crisis.

EXPORT-IMPORT BANK OF THE UNITED STATES

As a result of changes in the FY 2008 budget, the U.S. Export-Import Bank (Exim) now funds its lending operations through fees and earnings and does not receive an annual appropriation. Exim does face an annual limitation on the amount of income it can use to support new lending and the size of its lending portfolio is limited to $100 billion. The Republican Members of the Committee will support the Committee's consideration of the adequacy of the current authorization level for Bank lending as well as other potential constraints on the Bank's ability to play a greater role in filling the gap in trade finance resulting from the credit crisis. The Republican Members of the Committee will also support the Committee's close monitoring of the Bank's competitiveness relative to foreign export credit agencies (ECAs), with particular attention to competitiveness with the export credit practices of countries that are not members of the Organization for Economic Co-operation and Development.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001 terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Extension Act of 2005 (P.L. 109-144) that extended TRIA through December 31, 2007. In response to the continued unavailability of terrorism risk reinsurance in the private market, Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (P.L. 110-160) to extend TRIA through calendar year 2014.

The President's budgets for FY 2004 through FY 2008 did "not include estimates of the timing and magnitude of potential insurance claims under the [TRIA] program. . . . [g]iven the uncertainty surrounding the risk of future terrorist attacks." However, the FY 2009 Omnibus appropriations bill included an estimated Federal cost of providing terrorism risk insurance in the amount of $416 million, supposedly based on how private insurers price such risk. The estimate included in the President's budget for FY 2009 is significantly greater than the projected outlays estimated by the Congressional Budget Office (CBO), raising concerns about the apparent discrepancy in risk calculations. We recognize that the President's budget for FY 2010 continues to use the assumptions underlying the President's budget for FY 2009 and we renew our concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008. We believe that the Committee needs more information to assess the rationale and data associated with the variance in these estimates. The Republican Members of the Committee also note that the President's budget for FY 2010 calls for revisions to the Terrorism Risk Insurance Program (TRIP) and looks forward to learning more about these proposed revisions.

The FY 2009 Omnibus appropriations bill allocated 10 FTEs for the administration of the TRIP within the Department of the Treasury. This allocation is consistent with prior years' allocations for the TRIP and we anticipate supporting a similar allocation if it appears in the President's budget for FY 2010.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The National Flood Insurance Program (NFIP) is facing serious challenges and needs comprehensive reform to stabilize its long-term finances, according to the Government Accountability Office (GAO). In addition to carrying an $18 billion debt to the Treasury from borrowing to pay flood claims relating to the 2005 hurricanes, the NFIP is not collecting enough premiums to cover the estimated risk of future claims.

Again, according to the GAO, the NFIP, by design, is not actuarially sound. Rates for approximately 25 percent of policies are subsidized, and these are primarily for high-risk structures constructed before the NFIP's flood plain regulations went into effect. Some policyholders are paying rates that may be only 35 to 40 percent of actuarially-sound rates based on the estimated risk of loss from flooding. Even FEMA's calculations of estimated risk-based rates have been called into question by the GAO.

The Republican Members of the Committee remain concerned about efforts to expand the NFIP to include coverage for windstorms, which would further exacerbate the financial weakness of the program and displace the private insurance market for windstorm coverage. Both the House and the Senate versions of long-term NFIP reauthorization measures passed in the last Congress contained reforms supported by many Members to move the NFIP closer to full-risk pricing. It is important that the Congress move forward with comprehensive reforms to strengthen the NFIP, and avoid misguided efforts that could weaken it, without further delay.

SAVING SMALL BUSINESSES

Small business growth will trigger the nation's economic recovery. As such, the Republican Members of the Committee will not support any legislation or provision in any bill that raises taxes on business development.

STABILIZING THE AMERICAN ECONOMY

Because the country faces some of its most difficult challenges in generations, the Republican Members of the Committee will reject any proposal to raise taxes on families or small businesses, especially during a recession.

PROTECTING HOMEOWNERSHIP

Millions of Americans are struggling to make their mortgage payments every month. The Republican Members of the Committee are determined not to make those challenges any greater by raising taxes on homeowners or homeownership.

RESPONSIBLE SPENDING

The Republican Members of the Committee recommend that no spending authorized by this budget for an affordable housing fund shall be effective except to the extent that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

LIMITING TAX BURDENS

The Republican Members of the Committee recommend that no spending authorized by this budget for the TARP or a future $750 billion bank bailout shall be effective except to the extent that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

REFORM WITHOUT MORTGAGING OUR CHILDREN'S FUTURE

The Republican Members of the Committee recommend that no spending authorized to bail out Fannie Mae or Freddie Mac shall be effective except if included in this year's budget. And no spending to bail out the failed GSEs shall be effective except to the extent that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

Spencer Bachus

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[illegible]

Scott Garrett

[illegible]

Judy Biggert

[illegible]

Frank D Lucas

Ed Royce

[illegible]

Adam H. Putnam

Lynn Jenkins

Michele Bachmann

Christopher Lee

[illegible]

[illegible]

Shelley Moore Capito

Donald A. Manzullo

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Additional Views on the Andover Treasury Facility

Preserving jobs for America's workforce is crucial to this Administration and this Congress. The recent passage of the American Recovery and Reinvestment Act and the FY2009 Omnibus appropriations bill paves the way to create and preserve jobs. Given the current state of duress our economy is experiencing, we believe allocating funds to preserve jobs within the federal government and more specifically, for the Department of Treasury, is critical to rebuilding and strengthening America's economy. Throughout the Department, there have been reorganization plans that slash jobs for highly-trained and highly-skilled workers. Specifically, we urge the Budget Committee to allocate funds to retain the 1500 workers currently employed with the Treasury facility in Andover, Massachusetts. The facility is slated to close in September of 2009 as part of a reorganizing plan initiated in 2002. We urge that this decision be postponed until further assessment can be made.

In addition, while a comprehensive review of the original consolidation strategy is undertaken, we believe it is imperative that the Department of Treasury consider all opportunities to bring new work, including auditing Treasury functions, to Andover. The 1500 employees at the Andover facility are highly skilled and trained workers who have dedicated years of service to the Department and the local community. Directing new work to Andover would allow the Treasury Department to retain some of the Service's most experienced and dedicated employees and the vast institutional knowledge they have. Keeping America's workforce working is key to rebuilding our broken economy. We urge the Budget Committee to allocate funds to maintain these jobs associated with the Andover facility and to consider delaying any closure in connection with that facility pending a full reassessment of the need for those employees in light of the recently expanded financial oversight requirements.

Additional Views on Housing

Section 8

The President's budget increases funding for the Section 8 Housing Choice Voucher program which provides monthly rental assistance. The Section 8 program is the nation's largest low-income housing assistance program, helping over 2 million low-income seniors, disabled individuals, and families secure housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families and takes up almost 50 percent of HUD's discretionary budget. Given the size of the Section 8 program, it is critical to make improvements in the delivery of housing assistance to families in need.

Any efforts by the Committee to reform the Section 8 Housing Choice Voucher program should include an evaluation of the effectiveness of the program including determinations about the program's ability help renters move toward self-sufficiency. Creating a cycle of dependency burdens the system and exacerbates the already long waiting lists. Additionally, the Committee should evaluate whether or not the program is decentralizing geographic pockets with particularly high levels of poverty in order to avoid the over-concentration of poverty.

Hope VI

Created in 1992 and administered by the Department of Housing and Urban Development, the HOPE VI program provides funds to renovate or demolish existing public housing and replace it with mixed-income housing. Its authorization was set to expire at the end of FY2006, but Congress extended the program through the end of FY2008. While the 110th Congress considered and approved HOPE VI reauthorization legislation, it was not enacted before the end of the 110th Congress.

When considering legislation to reauthorize the Hope VI program, the Committee should consider the effectiveness of the program including the extent to which it can eliminate blighted housing and provide quality, affordable housing. Additionally, the Committee should examine the consequence of displacing families as a result of construction projects and the barriers to access that families face when they seek to move into new buildings.

Rep. Steve Driehaus