Ranking Member Bachus Prepared Remarks on Promoting Bank Liquidity, Full Committee Hearing

February 3, 2009

WASHINGTON - Thank you, Mr. Chairman, for holding this hearing today on legislative proposals to promote bank liquidity. This issue is key to getting our economy on the road to recovery, and I'm hopeful that today's hearing will shed light on the best means of achieving this shared goal.

The legislation that we will discuss today and mark up tomorrow includes provisions that I support. Permanently increasing deposit insurance coverage limits to $250,000 will, in my view, strengthen our banking system and reduce the likelihood of destabilizing bank runs. As the lead sponsor of deposit insurance reform legislation in 2006 that increased coverage levels for the first time in 26 years, I applaud Chairman Frank's efforts in this area.

Provisions placing our nation's community banks on an equal footing with their large bank counterparts in accessing funds under the Troubled Asset Relief Program (TARP) are also worthy of support. The government's efforts so far have focused on "too big to fail" institutions. This has placed many of our community banks at a competitive disadvantage because they are often considered ‘too small to save." Addressing this unfairness should be a high priority for this Congress and for the new administration.

However, there are initiatives in these bills that raise great concern, namely those relating to the Hope for Homeowners program. This program, which Congress enacted last July, has been a failure by virtually every metric. And rather than cut taxpayer losses, this bill aims to fix a fundamentally unfixable program, while abandoning key taxpayer safeguards.

At the outset, Hope for Homeowners proponents claimed this program would provide relief to 400,000 borrowers. Proponents were wildly off mark. In fact, the program has received a mere 400 applications and closed on just 25 new loans.

Under the legislation we will consider tomorrow, the Hope for Homeowners program would allow FHA to insure loans with greater risk of default and require a higher per loan taxpayer subsidy. The non-partisan Congressional Budget Office projects that even with these changes, the program will help a mere 25,000 borrowers, at best. Far from the 400,000 promised, and far from a success.

During his campaign, President Obama often expressed his goal of ending wasteful, underperforming and duplicative government programs. How many times do we have to attempt to change a program that has helped 25 borrowers nationwide? Under President Obama's criteria, HOPE for Homeowners would certainly qualify as a program to be cut.

Chairman Frank's legislation would also eliminate upfront premium payments and pave the way for FHA to waive annual premiums entirely. These tools are critical to protecting taxpayer funds. Why would we expose American taxpayers to an ever greater amount of risk?

Several big questions must be answered today: who are these proposals intended to help, and is it fair? Will these proposals reward irresponsible behavior by a small amount of individuals and punish those who have played by the rules and lived within their means? And how, if at all, would the legislation stimulate the economy?

Let me conclude, Mr. Chairman, by saying that if we are truly focused on increasing liquidity, what the markets need most right now is the opportunity to absorb the historic and unprecedented amount of government intervention they have seen over the past several months. Times are tough for American families. But merely throwing good taxpayer money after bad is not the solution to our economic problems.

Thanks to our witnesses for being here today. We look forward to your testimony.

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