
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 5.01.2009

MESSAGING RESOURCES/POLLING UPDATE - May 1, 2009

- MORTGAGE REFORM LEGISLATION

There Have Been Huge Investments to Keep, and Get, Families Into Homes. This Bill Could Undo These Efforts. The Democrats' mortgage legislation may hamper a housing recovery and limit consumer choices. While the Federal government has taken unprecedented steps to jumpstart the economy, Congress should not undermine these efforts. We should work to bring stability and certainty to the markets, which will help bring down costs, and get working American families buying homes again.

- Rep. Scott Garrett gave this YouTube commentary laying out these points.

The Subprime Problems Are Being Addressed. Congress established a national licensing and registration database for all mortgage originators last year. This nationwide database of mortgage originators will bring greater accountability and professionalism to the industry. If suspicious of one's mortgage professional, a consumer will be able to quickly access their history online. Also, the Fed issued regulations under the Home Ownership Equity Protection Act (HOEPA) to prohibit predatory practices and products, strengthen underwriting standards, and address prepayment penalties and escrowing of taxes and insurance. Chairman Frank described the rules as "mak[ing] it impossible to get [abusive] subprime loans." It is important to let these rules work before we layer on new and untested restrictions.

No Mention of Fannie, Freddie. Republicans continue to fight for fundamental reform and accountability of Fannie Mae and Freddie Mac. However, this "mortgage reform" does not address this issue of reform. Because of their practices, taxpayers are now left holding the bag for what may end up being the largest federal bailout in history - \$400 billion and counting.

Taxpayers Should Not be Forced to Finance Lawsuits, ACORN. While Republicans are focused on ensuring that legislative action does not lead to higher mortgage fees and limited access to credit, Democrats continue to reward trial lawyers and activist groups. This bill encourages excessive litigation by directing \$140 million to fund "legal assistance for foreclosure-related issues." With no taxpayer safeguards, this is nothing more than a trial lawyer set-aside. And, while Rep. Michele Bachmann inserted language in the bill to block activist groups like ACORN, who are under criminal investigation, from receiving taxpayer funds, Chairman Frank has said that her amendment will be removed.

- STRESS TEST RESULTS

This Process Has Reinforced The Need For An Exit Strategy. These tests serve as a reminder that enormous government intervention into the private sector is bad policy not only because it creates uncertainty, but also because it leaves taxpayers responsible for poor decisions made by a small group of individuals. We need an exit strategy from this continued cycle of bailouts that ensures the American people are repaid in full. The longer government remains involved in the banking system - picking winners and losers - the longer it will take for an economic recovery to take hold.

The Premise, Timing Is Suspect. While the results of the stress test have been intermittently leaked, we are concerned that the administration may use results to justify a further expansion of its role in the banking system. The administration's budget set aside \$750 billion in additional bailout funds. And recently, Treasury announced that it is considering converting its preferred shares in TARP recipient banks to common stock, which some characterized as a step closer to nationalization. If the White House's goal was to increase investor confidence, and set us on a path toward phasing out government involvement in the banking system, they have failed miserably.

Stress Tests Assume Further Economic Downturn. Republicans Have Better Solutions to Grow the Economy. The tests are supposed to gauge how much capital the largest 19 banks may need if the economy continues to shrink. The bigger question is, though, what can government do to help grow the economy, and get Americans back to work? While Democrats have offered more borrowing and spending, coupled with massive job-killing tax hikes, Republicans have worked to hold the line on spending and allow working families and small business to keep more of what they earn. Borrowing and spending helped create this crisis, and more it is not the answer. And a command-and-control government approach to regulating the financial sector will only make our economic problems worse.

Washington Post's Chris Cillizza: "The latest NBC/Wall Street Journal poll paints this chasm in sharp relief; 51 percent of Americans both like Obama personally and approve of his policies while 30 percent like him personally but disapprove of his policies. ... the fact that three in ten like Obama but dislike his policies could well portend a much more difficult political environment for the president over the next 100 days than he dealt with in the first 100 days."

100 Days: As reported by The Hill, Financial Services Republicans released a document, entitled "100 DAYS: More Bailouts, More Government Intervention, And Still No Exit Strategy," outlining Obama's first 100 days in office.

WEEKEND MUST-READS

Wall Street Journal: "At Treasury, Big White House Role ... On Jan. 20, Timothy Geithner took control of the Treasury Department, directing the government's response to the financial crisis. Within three weeks, the White House tightened its grip, alarmed by the poor reaction to Mr. Geithner's performance during the rollout of his rescue plan, government officials say. Since then, White House Chief of Staff Rahm Emanuel has been so involved in the workings of the Treasury that "Rahm wants it" has become an unofficial mantra among some at the Treasury, according to government officials."

Wall Street Journal: "Freddie to Give HR Chief Up to \$1.3 Million in Bonuses ... Freddie Mac disclosed that its human-resources chief, Paul George, will receive retention bonuses of as much as \$1.3 million."

New York Times: "Senate Refuses to Let Judges Fix Mortgages in Bankruptcy ... The Senate handed a victory to the banking industry on Thursday, defeating a Democratic proposal that would have given homeowners in financial trouble greater flexibility to renegotiate the terms of their mortgages."

USA Today: "Government nervous about stress test results ... Next week's bank stress tests results are a key part of the Obama administration's economic recovery plan, but the government has big worries about how to deliver the results

without hurting the banks' reputation or scaring financial markets."

Cleveland Plain Dealer, Editorial: "Federal stress tests' for banks are themselves a dicey affair ... The decision by Treasury officials to concoct a special stress test tied to future credit risks for the country's 19 biggest banks is fraught with peril. ... This elaborate exercise could create some of the risks it seeks to avert. ... A 21-page report Friday on test methodology leaves huge unanswered questions. ... Banks scoring poorly will have to raise more capital -- a requirement that almost certainly will put taxpayers on the hook for more bailouts. Few private investors will sink their money in banks that 'fail' the test. Also adding instability is the sense that banks will not be freed of such federal intervention for some time, but instead will have to navigate constantly changing regulatory quicksand. That kind of uncertainty helps keep financial institutions from regaining public trust."

ON THE HORIZON

Tuesday, May 5: The Full Committee will hold a hearing at 10am to evaluate the impact of Lehman Brothers bankruptcy on state and local governments. At 2pm, the Oversight and Investigations Subcommittee will meet for a hearing on the role of Inspectors General. Both are in 2128 Rayburn.

Wednesday, May 6: The Housing Subcommittee will hold a hearing on legislative solutions to prevent foreclosure rescue scams at 10am in 2128 Rayburn.

Thursday, May 7: The Capital Markets Subcommittee will examine hedge fund registration at 11am in 2128 Rayburn.

NOTE: We expect floor consideration of the Democrat's Mortgage Reform legislation.

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Chris Lee released these statements: Lee: Savings Legislation Would Help Western New Yorkers Regain Financial Stability; and Lee Continues Push to Help Western New Yorkers Rebuild Savings.

Rep. Tom Price penned this column in Human Events: Judging the First 100 Days; and issued these statements: Credit Card Bill Punishes Responsible Consumers, Stalls Economic Recovery; Not Even Bankruptcy Free From Obama Meddling, More Taxpayer Cash; and How Stimulating: GDP Continues to Fall.

Rep. Frank Lucas released this statement: [Lucas Statement on President Obama's First Hundred Days](#).

Rep. Michele Bachmann appeared on CNBC and in Politico: [Bachmann sneaks one past Barney](#); [posted on Townhall: Chairman Frank Sides With ACORN](#); and issued this statement: [Bachmann Amendment to Protect Taxpayer Dollars Unanimously Passed by Financial Services Committee](#).

Rep. Jeb Hensarling penned this op-ed in Politico: [The true causes of the housing crisis](#); and released this statement: [Budget a Turning Point in American History](#). He also made several television appearances.

Rep. Patrick McHenry issued this statement: [McHenry Offers Amendments to Mortgage Legislation](#).

Rep. Kevin McCarthy appeared on CNN's America Morning and on Fox News' America's Newsroom.

Rep. Thaddeus McCotter released this statements: [McCotter Condemns Cruel, Forced Bankruptcy](#); and made appearances on Fox Business.

Rep. Scott Garrett was quoted in this Politico story: [New test for GOP: Subtlety on regs](#); and issued this statement: [Garrett Rallies Members; Calls on Geithner to Allow Payback of TARP Funds](#).

Rep. Randy Neugebauer appeared on Bloomberg Television and Fox Business.

Rep. Spencer Bachus penned op-eds in the Washington Times and The Hill; and released these statements: [Bachus Calls For Bank of America Hearings](#); [Bachus Requests Hearing to Review Mark-to-Market Application](#).

CARTOON OF THE WEEK

(Scott Stantis, Washington Times, 5/1/09)