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Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Richard Neiman

Congressional Oversight Panel Hearing with Treasury Secretary Timothy Geithner

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Mr. Secretary, when you last testified before this Panel in June, the major regulatory reforms that might have avoided the need for a TARP had not yet passed Congress.

Additionally, a small business lending fund was not established, few states were participating in Treasury's Hardest Hit Fund foreclosure mitigation program, and well over a hundred billion dollars of losses were expected from the TARP program.

In the past six months, however, a new Dodd-Frank regulatory regime is being implemented, and a new small business lending fund has Congressional approval. The expected cost of TARP is much lower, with the Congressional Budget Office last month projecting TARP's total cost at $25 billion.

Given these developments, and that TARP successfully prevented a depression-like crisis, it might be fair to expect the public perception of TARP would have improved, and for the Administration to get due credit for its management of the program it inherited.

But public perception remains negative, perhaps because first impressions linger. The reason probably has a more deep-rooted element though: Many people simply feel their lives have not gotten better during this period, even as the financial system has stabilized and banks have returned to profitability. The government must continue to work to finally fill TARP's unchecked boxes – namely, to encourage bank lending and prevent needless foreclosures.

It is my hope to discuss these two areas today. Specifically, with regards to foreclosures, we must hold mortgage servicers fully accountable for the non-HAMP mortgage modifications they put homeowners into. These modifications must truly be helpful to homeowners and be sustainable. Non-HAMP modifications now outnumber HAMP modifications by about 3 to 1.

More importantly, looking forward I believe Dodd-Frank's vision of an effective CFPB must be realized in the foreclosure area. In order to protect homeowners and promote future financial stability, the CFPB has been specifically empowered to write mortgage rules. This must include national standards for mortgage servicers, who are critical players in the foreclosure crisis. No such federal regulations exist.

States like New York have comprehensive servicer regulations in place that can serve as a model at the federal level. Regardless, the CFPB cannot tackle mortgage servicing alone. The new agency will need the cooperation of the states and the federal banking regulators to enforce any new rules, hopefully together in a new era of Cooperative Federalism.

With regards to small business lending, the public wants and needs the small business lending fund to be successful. But loan-supply is not the only reason bank lending is down. Other reasons must be integrated into our collective solutions, such as loan-demand, underwriting standards, regulation, and future uncertainties.

I look forward to our discussion this morning.