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Congress of the United States

House of Representatives

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Statement of Rep. Elijah E. Cummings
Ranking Member, Committee on Oversight and Government Reform

Subcommittee on TARP, Financial Services and Bailouts on Private and Public Entities
Hearing on: Has Dodd-Frank Ended "Too Big To Fail"

March 30, 2011

The goal of today's hearing is to examine how the Dodd-Frank Wall Street Reform and Consumer Protection Act will ensure that we are no longer hostage to institutions deemed "too big to fail."

Yet unfortunately, today's hearing also represents a tragically missed opportunity in the majority's refusal to grant our request to invite Representative Barney Frank to testify before the Subcommittee.

As the Chairman of the House Financial Services Committee throughout the drafting of the financial regulatory reform legislation and as the current Ranking Member monitoring the implementation of that legislation, Rep. Frank's expertise on the matters before us today is unparalleled.

Despite my disappointment in this Subcommittee's process, I thank our witnesses for appearing before us today. I particularly recognize Special Inspector General Barofsky, and commend you for your service. Your tireless work has enabled us to better fulfill our role in ensuring efficient and effective government oversight of the TARP program, and I thank you.

The 2008 financial crisis was the result of years of deregulation that had allowed numerous financial institutions to become so large and interconnected, and to take on so much risk, that the failure of any one of them threatened the entire domestic, and even global, financial system.

After the immediate crisis was addressed, we enacted the Dodd-Frank Act in order to set into place a robust regulatory structure to end "too big to fail." According to FDIC Chairwoman Sheila Bair:

> The Lehman bankruptcy in September 2008 demonstrated the confusion and chaos that can result when a large, highly complex financial institution collapses into bankruptcy . . . Unfortunately, bankruptcy cannot always provide the basis for an orderly resolution of a [large institution] or preserve financial stability . . . The new requirements [under Dodd-Frank] will ensure that the largest financial companies can be wound down in an orderly fashion without taxpayer cost. Under Title II of the Dodd-Frank Act, there are no more bailouts.

However, as Chairwoman Bair, Mr. Barofsky and others have acknowledged, Dodd-Frank will not work unless we provide our regulators with the resources they need to make full use of these new regulatory authorities.

Frighteningly, the budget proposed by the new majority would effectively cripple the regulators. If we drastically cut the budget of our agencies charged with carrying out this important regulation, we will be paving the way for the next financial collapse and we will never be rid of entities that are "too big to fail."

I look forward to hearing from today's witnesses and I thank the Subcommittee Chairman for holding this hearing.