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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Committee on Oversight and Government Reform

Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs

Hearing on "The Changing Role of the FDIC"

June 22, 2011

I thank the Chairman for calling this hearing today, and for enabling the members of the Subcommittee to hear from Federal Deposit Insurance Corporation Chairman Sheila Bair before her term expires next month. I also thank Chairman Bair for appearing before us today.

Today's hearing provides an important opportunity to examine the circumstances that led to the worst financial crisis since the Great Depression, as well as the implementation of the FDIC-related provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

I would also like to take the opportunity today to hear from Chairman Bair about lessons learned, in particular, about the mortgage crisis.

On April 13, 2011, results were released from an interagency review conducted by the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FDIC. This report examined the foreclosure practices of the 14 largest mortgage servicers. The review concluded that there were "critical weaknesses in servicers' foreclosure governance processes," which "resulted in unsafe and unsound practices and violations of applicable federal and state law and requirements."

It also identified specific cases in which "foreclosures should not have proceeded due to an intervening event or condition, such as the borrower (a) was covered by the Servicemembers Civil Relief Act, (b) filed for bankruptcy shortly before the foreclosure action, or (c) qualified for or was paying in accordance with a trial modification."

I found the results of this review extremely disturbing. I was not surprised, however, because they echo what I hear every day from my constituents who are struggling against the abuses of mortgage servicing companies. In fact, this Saturday, in my Congressional district, I am hosting my sixth foreclosure prevention workshop to enable borrowers to meet face to face with their mortgage companies in the hopes of preventing avoidable foreclosures.

Unfortunately, the banks' abuses did not begin with the foreclosure crisis. They can be traced to the root of the crisis, when the banks were originating and securitizing mortgage loans that stood little chance of being repaid. Just yesterday, it was reported that JPMorgan Chase is being sued by the National Credit Union Association for packing and selling mortgage bonds with loans that were "all but certain to become delinquent or default shortly after origination."

It was also reported last week that JPMorgan's chief of home lending is being pushed out after "the bank racked up billions of dollars in losses on mortgages ... the bank seized homes of at least 33 U.S. military servicemen on active duty in violation of federal law ... and [the bank] had been chastised for [its] refusal to cooperate with borrowers and modify mortgages."

JPMorgan Chase is not alone. The evidence is overwhelming that banks and mortgage servicing companies have engaged in abusive practices, executed improper foreclosures, and charged inflated fees.

In too many cases, these are the same banks that turned to the government for aid during the crisis. For example, on October 13, 2008, JPMorgan received a \$25 billion capital injection. Yet, the severe and widespread systemic deficiencies throughout the mortgage industry have become one of the most enduring legacies of the financial crisis.

What is this Committee doing about it? The Democrats are investigating. We have written the largest servicers asking for basic documents. But many of the banks have informed us that they will not cooperate unless they receive subpoenas. That is why I have asked Chairman Issa to issue subpoenas in our investigation. In the past six months, I have written to him four times, asking for his cooperation and support.

In the meantime, we can look forward to hearing from one of the few heroes of the financial crisis. Chairman Bair's public service has been exemplary, and we welcome her to testify today.

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