

SHORTER STATEMENT

Regulatory Reform Hearing

October 21, 2008

Thank you, Mr. Chairman, for calling us here today. This hearing begins to address what the American people are demanding: real reform of our economy. My father owned a small, five-and-dime variety store in my hometown of Cleveland. He often took me to work with him, and as a result, I carry with me to this day a real appreciation for a hard day's work. He also taught me some basic principles of credit worthiness, only borrowing what you could pay back, living within your means and other values that most Americans live by.

Those values are reinforced today when I talk to my constituents in South Florida and hear their stories about their retirement savings in a freefall, their businesses having a hard time getting credit and their family budget being stretched thin.

As we have all unfortunately come to understand, this financial crisis was caused in part by a lot of smart people exploiting loopholes combined with lax or non-existent regulation and oversight.

The result is now one of the most volatile economic times in American history.

Unemployment is skyrocketing, property values in many areas have plummeted, and one in 11 mortgages is delinquent or in foreclosure.

My home state of Florida has been especially hard hit. Many of my constituents are business owners who are worried about meeting payroll. Others are retirees, worried about the security of their investments. Still

others are homeowners impacted by our area's sky-high foreclosure rates, resulting in a diminishing value of their property and their neighbor's property and in many cases, mortgage balance that is higher than the fair market value of their home.

These trends are very serious and we must find answers to get our economy back on track. One of the ways we will get our economy back on track is to rebuild and restore confidence in our financial system. This hearing is an important step in looking back to see what went wrong, learning from those mistakes, and bringing together experts from various backgrounds and perspectives to help build a financial system that restores confidence.

As we look at this picture, I believe that we must consider the following proposals:

1. Update and improve regulation:

Our current regulatory framework is duplicative and outdated. We need a system that works with the financial markets that exist today and a system that will evolve with the financial market of the future.

The SEC must absolutely review the role and performance of the Credit Rating Agencies and their ability to accurately reflect the risks of investment securities. There appears to be an inherent conflict of interest in their role of being an "independent" evaluator of risk and value of financial instruments when they are being paid their fee by the party offering the investment. There is an important role for an independent agency to value an investment, but we must think through a different way of doing it.

We must also allow regulatory agencies to do their job by giving them the authority to oversee newer financial instruments, like credit default

swaps. There should also be a discussion as to the amount of leverage that can be applied to those instruments. Our regulatory agencies also have to take a stronger oversight role to prevent fraudulent and manipulative trading practices.

Smarter regulation does not mean burdening business; rather, our economy will be stronger with more effective oversight.

2. Encourage competition among financial institutions

Consumers must have more options. One of the problems that is contributing to this mess is that some of our institutions are “too big to fail.” I don’t like that term and I don’t like what it implies. On the one hand, we abandon our principles of anti-trust regulation and enforcement so that there is more and more consolidation of market power in a few organizations; then, when risky and bad business decisions are made, which threaten failure of these large businesses, we say that the business is so integrated and intertwined with other businesses that the damage would be greater to our economy if we allow the market forces to work and let the business go under. In other words, under our current system, a business may be super-successful and profitable until it makes incredibly bad business decisions and then comes to the federal taxpayer to keep it from collapsing. That is a really bad place to be.

We need to return to a real free enterprise system, where real competition works and no one is given a competitive advantage or disadvantage by the actions or inactions of government.

3. Establish a Financial Product Safety Commission

Our regulatory agencies must have the right tools to conduct improved oversight so that the American people can be confident that their money is secure. Whether it is a new, malleable, evolving version of the SEC or CFTC or combination of the two, or a new Financial Product Safety Commission, we need to rethink and put in place a regulatory and oversight organization that promotes good business practices, gives clear information to consumers to make good investment decisions and protects the American taxpayer.

There are many other recommendations that I look forward to hearing about today, and implementing as soon as possible. Mr. Chairman, thank you once again for calling this urgent hearing.