Subcommittee on Oversight and Investigations
House Financial Services Committee
May 5, 2009

"The Role of Inspectors General: Minimizing and Mitigating Waste, Fraud and Abuse"

Opening Statement from Chairman Dennis Moore [KS-03]

There have been a few signs recently that our economy may be slowly nearing the bottom of the decline. There's no doubt in my mind that our economy will eventually stabilize, recover and grow once again. But despite a few glimmers of hope, my constituents remain anxious, and I share their concern.

In March, the U.S. economy lost 663,000 more jobs, bringing the unemployment rate to 8.5%, the highest since November 1983. Since the recession began in December 2007, a total of 5.1 million Americans have lost their job. That's nearly double the entire population of my home state of Kansas. Last Friday, regulators shut down three more banks, bringing the total number of U.S. banks that have failed in the past 17 months to 57. The FDIC has estimated that one of those banks -- Silverton Bank in Georgia and the biggest bank to fail this year -- will cost the Deposit Insurance Fund $1.3 billion.

There are some painful lessons that we need to learn from this financial crisis so we can strengthen the rules and improve the oversight of our broken financial sector. In addition to modernizing the regulatory structure to prevent another financial meltdown, Congress must ensure there is tough oversight and transparency of the extraordinary actions the federal government has taken to stabilize the financial sector. Some examples include the Treasury Department's use of $700 billion in TARP funds, the FDIC's Debt Guarantee Program and the Federal Reserve's intervention with AIG and their $1 trillion TALF program.

To that end, I appreciated the opportunity to work recently with Ranking Member Biggert, Congressman Driehaus and Congressman Paulsen of this subcommittee to enact our Special Inspector General of TARP, or SIGTARP, bill that President Obama signed into law on April 24th.

Just last month, the SIGTARP reported that he has already launched 20 criminal investigations. He previously indicated he did not have the staff he needed to track down every lead. The new law gives the SIGTARP stronger oversight over the TARP program, as well as the expanded authority he requested to hire the necessary auditors and investigators to provide tough oversight.

This afternoon, I'm pleased to have the Inspectors General from Treasury, the Federal Reserve Board and the FDIC testify about their ongoing efforts to expose and eliminate waste, fraud and abuse. For example, the Treasury's Office of Inspector General reported investigations leading to 13 arrests and nearly $400,000 in court-ordered fines, restitution and recoveries during a six month period last year. The FDIC's Office of Inspector General reported investigations leading to 61 convictions and nearly $353 million in fines, restitution and other monetary recoveries.

As a former District Attorney for 12 years and the Chairman of the Oversight and Investigations Subcommittee, one of my top priorities is to make sure our Inspectors General have all the tools and resources they need to continue this important oversight work.

One issue of concern I'd like to focus on today is Material Loss Reviews, or MLRs, which are required to be completed by Inspectors General whenever a failed bank costs the Deposit Insurance Fund over $25 million. In January, our three witnesses wrote Chairman Frank expressing their request that Congress raise the MLR threshold from $25 million to $300 million to $500 million.

In addition to a higher threshold, they suggested adding a requirement that for failed banks falling below the new threshold, an initial assessment still be taken to "ensure that unusual or potentially significant situations are not missed."
I was disturbed to learn recently that the failure of Washington Mutual, the largest failure in U.S. history, did not trigger a mandated Material Loss Review because there was no cost to the Deposit Insurance Fund given JPMorgan Chase acquired the institution after it failed.

I understand a voluntary review is underway, but we need to update the MLR system so that a review of a bank failure like WaMu would be required.

I was also disturbed to read the Inspectors General letter to Chairman Frank claiming that without a modernized MLR system, the current system would limit their "ability to effectively oversee many of the new and significant programs and initiatives that the Federal banking agencies are undertaking to address current economic conditions."

We must address this problem. I look forward to hearing the testimony from our witnesses, discussing this MLR concern, and then working with Members of our committee to quickly address this concern so we can provide the best oversight effort possible.