

your community that started banks, and you'd have several—dozens of banks locally and there was real credit competition. We've seen all that change as the banks became eaten up by bigger banks and bigger banks yet, and States lost money center banks, and power gravitated to Wall Street and Charlotte, North Carolina, banks.

But in the days when we had really competitive credit in this country, there was a law of our land that said to banks, When you get \$1 in deposit, you can't lend more than \$10. You can't blow money up more than 10 times because, you know what? That's imprudent, and you might make a mistake and, therefore, you have to have very careful underwriting and very careful servicing of those loans. That's all changed.

One of the reasons we're in this financial mess is the Wall Street institutions took a dollar and they blew it up into \$100 where there was no underlying value, there was no way that loan could perform. It would not rise in value if it was a home. Or if it were a commercial loan, it could never produce 100 times more than it was worth at the beginning. So this issue of prudent lending versus moral hazard is an important question in the bill that will be before us.

Thirdly, we have to ask about conflicts of interest in the bill between the credit rating agencies, like Moody's and Standard & Poor's and the banks that employ them to rate them. Will there be a tight fence line that's laid between them or will it simply be finessed? So this issue of "Is conflict of interest really addressed in the bill and shuts the door tight between the rating agencies and the banks, is it sufficient?" Members have to weigh whether it is or not.

Next I would like to turn to derivatives. This is where Wall Street really created money where there's no underlying value. And you can check this in your own community, because now a majority of mortgage loans in this country are actually—the home is not worth as much as the loan is valued at. They call that underwater. They sell overvalued real estate through the derivative instrument and through the way that the loan was leveraged through the bonding of the security. We're all paying the price for this now as home values start to go down, and this year, another 2.4 million Americans appear to be on the verge of losing their homes.

So the question becomes: What kind of margin calls will there be in the bill—capital margin requirements will there be in the bill on derivatives, and how will those derivatives be traded? Will all of them be on exchanges? Will they all be transparent and electronic? What will be exempted? And who will own the exchanges?

From what I hear, it is the same big banks. They're not going to put an exchange in Toledo, Ohio, the largest city that I represent. And this is a big con-

cern because, in fact, if what I've heard, that the capital margins in the bill are 15 to 1, that's a 150 percent increase over what we formally had as the prudent lending rules that existed in banks when we had a solid middle class and a banking system that was functioning for all the people. When it was \$1, you could get \$1 in your bank and you could loan \$10. Now we're seeing the capital margins on derivatives are 1 to 15. Very interesting.

REPORT ON RESOLUTION WAIVING REQUIREMENT OF CLAUSE 6(a) OF RULE XIII WITH RESPECT TO CONSIDERATION OF CERTAIN RESOLUTIONS

Mr. PERLMUTTER, from the Committee on Rules, submitted a privileged report (Rept. No. 111-516) on the resolution (H. Res. 1487) waiving a requirement of clause 6(a) of rule XIII with respect to consideration of certain resolutions reported from the Committee on Rules, and for other purposes, which was referred to the House Calendar and ordered to be printed.

FINANCIAL REFORM BILL— Continued

The SPEAKER pro tempore. The gentlewoman from Ohio may resume.

Ms. KAPTUR. I would like to next turn to the issue of mortgages and the foreclosure rates around this country which are rising in areas such as I represent. Is this bill that is coming out of the Financial Services Committee, in granting all these powers across our financial system, going to do anything to help the American people who are being foreclosed in their homes? You know what the answer is? No. This year we will lose another 2.4 million families.

None of these so-called modification programs are really working, and yet we have a major bill coming to the floor that doesn't address that issue when the very institutions being granted power are the ones that did this to us in the first place. So we should be able to exact from them some type of resolution for the American people who are paying their salaries—literally—by the taxpayer bailout, and yet we're not dealing with the mortgage foreclosure issue.

And why aren't we? Because if you look at who is holding the mortgage today and who is servicing the mortgage, guess what? There's a conflict of interest because over half of the mortgages have second mortgages, and the servicing companies owned by the banks are the same institutions that have a relationship with the banks that hold the second mortgage on the home. So, for example, if J.P. Morgan is servicing your loan but JPMorgan also owns the second mortgage, they have no interest in servicing your loan. And that's going on with all the institutions that I listed earlier. So the bill is silent on the issue of mortgage resolutions, and that is a great tragedy.

Does the bill do anything to even reference those agencies dedicated to fighting the fraud that has crippled our financial system or is the bill silent? The bill is silent. Even though we know we need additional agents at the Department of Justice—and yes, this bill is coming out of the Financial Services Committee—the bill doesn't even have a finding that references the importance of adding financial fraud agents at the Department of Justice, at the SEC, at the FDIC, to go after the wrongdoers because these fraudulent systems were set up at the very highest levels of finance in this country, but the bill remains silent on that.

I mentioned capital margins a little bit earlier. This is really an important issue to get at the question of prudent lending and how much power we grant these institutions and the instruments they create to create money and to check it against the value of the underlying asset. The bill is quite weak on that.

Finally, I would present to my colleagues the question: Does the bill create a truly independent systemic risk council or does it merely politicize risk evaluation through the U.S. Department of Treasury, which has caused such confusion in the markets? Credit has seized up across this country, and Treasury seems to play favorites—always with a bent toward the biggest banks on Wall Street and in Charlotte. So these are threshold questions that the Members have to ask.

Now, one might wonder why I hold these concerns about the financial regulatory reform bill. And the reasons start with the fact that unless we understand how excess has been rewarded and moral hazard has been encouraged inside the financial system, it will happen again, unless we really get at what's wrong and how we've gotten ourselves into this position.

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And one of the ways to really understand that is to add up the true cost of the financial crisis we are all living through at this point. A true counting of the cost of the big bank financial crisis to the American people is needed because, unless we understand that, we are on the verge of creating what is called a financial regulatory reform which should aim to prevent similar crises from happening. But we still don't yet have a full accounting of the crisis of 2008 and its causes, and that should really stand as a background to what we do from this point forward.

Almost 2 years ago, I fought against the Wall Street bailout that was called the TARP. I did not vote for it the first time, and I did not vote it for the second time. It gave Wall Street 100 cents on the dollar, when people in my district were being thrown out of their homes, and they were getting zero on the dollar. What's fair about that?

And it wasn't just people in my district. Twenty million Americans, American families—this is not a small