

March 13, 2003

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee
Full Committee Markup of HR 522, the Federal Deposit Insurance Reform Act of 2003,
HR 21, The Unlawful Internet Gambling Funding Prohibition Act of 2003, and HR 758,
the Business Checking Freedom Act of 2003.

I would like to thank Chairman Oxley and Subcommittee Chairman Bachus for their important leadership on the issue of FDIC reform and their hard work that has allowed us to reach the point of marking up HR 522, the Federal Deposit Insurance Reform Act of 2003.

I also congratulate the committee on its continued initiative in moving swiftly to address problems in the financial services industry and considering important legislative fixes without delay, such as the three bills we're considering this morning. I intend to focus my comments on HR 522 as it addresses an issue that has been one of my priorities since joining the Financial Services Committee in the 107th Congress.

I am very glad to have been included in the negotiations on this reform package and was pleased to see the text of the "Municipal Deposits Insurance Protection Act," a bill I introduced on January 29, 2003, included in the bill as introduced.

With the constructive changes included in the manager's amendment, this legislation would provide increased coverage for municipal deposits equal to the lesser of \$2 million or \$130,000 plus 80% of the amount of deposits in excess of the new standard.

Providing this essential coverage will help local communities keep public moneys in their area, improving the economic climate by enabling local banks to offer more loans for cars, homes, education and community needs.

Currently, municipalities are faced with a hard choice when deciding where to place their deposits. Local officials care about their communities and would like to foster economic development by putting their funds in local banks. However, without the guarantee of

FDIC coverage, they are often forced instead to put the money in large out of state institutions.

It may also be the case that small banks are not even in a position to accept such deposits. Many states require institutions to collateralize municipal deposits. This makes it harder for community and small banks to compete for these funds with larger banks. Many community banks are so loaned-up that they do not have the available securities to use as collateral.

Just a few weeks ago, the FDIC closed a bank in my congressional district: Oakwood Deposit Bank in Oakwood, OH. Local municipalities and other public entities that held deposits at this institution and are now put at risk due to the \$100,000 cap in FDIC coverage.

In cases of fraud such as this one, securitization may not have been adequate insurance as many bonds and securities appearing on the bank's balance sheet may not still be held. This risk is simply too high for any community in this country and can have a devastating impact on local budgets. In this situation, Oakwood, OH is still feeling the financial constraints of their \$380,000 they lost.

Again, I applaud both Congressmen Oxley and Bachus and their staff for all their hard work and look forward to passing this legislation and seeing this important overall reform measure become public law.