Opening Statement of Chairman Dennis Moore
"Too Big Has Failed: Learning from Midwest Banks and Credit Unions"
House Financial Services Subcommittee on Oversight and Investigations
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Our economy continues to slowly recover following the worst financial crisis and recession since the Great Depression. While there were a number of contributing factors that caused the financial crisis, one of the lessons we've learned is that "too big to fail" financial firms can cause a lot of damage if not appropriately supervised.

And who paid the price for these mistakes? Unfortunately, it was not those "too big to fail" firms on Wall Street but rather our constituents and businesses here in Kansas and across the country. American households lost about $14 trillion in net worth over the course of two years. Retirement accounts saw over 20 percent decline in value, forcing many Americans to delay their retirement. Millions of Americans lost their homes through foreclosure. Bernie Madoff's Ponzi scheme defrauded $65 billion from investors.

And the government was forced to respond to prevent further damage. Congress approved, and even though it was deeply unpopular, I voted for the $700 billion TARP proposal. I did so not because I wanted to, but because it was the right thing to do for our people and our country. In fact, while there continue to be misperceptions about it, economist Mark Zandi, an advisor to Republican John McCain in the last presidential election, has recently done some analysis and found that without TARP, the Recovery Act and other measures, we would have seen the unemployment number <u>double</u> with 8.5 million fewer jobs, and that's on top of the more than 8 million we've already lost.

But given the economic damage we did suffer, it's not surprising that many Americans have lost their faith in our financial system. As Mr. Hoenig has put it, "too big <u>has</u> failed" and we need our financial institutions, big and small, to get back to the fundamental business of banking and financial intermediation. And while not perfect, I believe that the types of smaller and medium-sized banks and credit unions we will hear from today and others here in the Midwest should be held up as an example of how the post-crisis financial system should look like. Financial firms should know who their customers are and perform proper due diligence before making a loan.

To help restore Americans faith in our financial system, I worked hard as both a senior member of the House Financial Services Committee and as a House conferee to improve and perfect the financial regulatory reform measure. Part of this work included defending smaller banks, credit unions and small businesses that did nothing to create the financial crisis.

For example, I worked with my colleagues to provide a full grandfather of existing trust-preferred securities for all banks with less than $15 billion. I pushed to fully preserve the thrift charter, making the case that while the ineffective Office of Thrift Supervision should be eliminated, the business model which many Kansas thrifts acted responsibly with should not be eliminated. And I offered the amendment to exempt all banks and credit unions with fewer than $10 billion in assets from the new Consumer Financial Protection Bureau's enforcement powers. Many forget, but a new consumer financial protection agency was not only called for by the Obama Administration, but by former Treasury Secretary Hank Paulson as well.

The Dodd-Frank Act includes other new powers to regulate "too big to fail" financial firms and provides regulators with a new liquidation tool that will ensure we end "too big to fail" bailouts, and we shut down any financial firm – big and small – that fails. As the bill was being signed into law, the headlines from the *Wall Street Journal* were "Big Win for Small Banks" and "Small Banks Avoid Overhaul's Sting".

That said, I understand that with any new set of rules comes unfamiliarity. Something I hope to see as the new rules are implemented is not an endless stream of additional disclosure forms that are difficult for small firms to comply with and only serve to confuse consumers. We created the Consumer Bureau to streamline and simplify these financial forms and documents so that consumers know what they are signing up for, and as a result, will be much easier for small community banks and credit unions to comply with.

It is time to move forward with a stronger financial system, and I look forward to hearing from today's witnesses on what lessons we can and should learn from responsible banks and credit unions we are fortunate to have in the Midwest.