M E M O R A N D U M

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: May 16, 2016

Subject: May 19, 2016, Subcommittee on Oversight and Investigations hearing entitled "Settling the Question: Did Bank Settlement Agreements Subvert Congressional Appropriations Powers?"

The Subcommittee on Oversight and Investigations will hold a hearing entitled "Settling the Question: Did Bank Settlement Agreements Subvert Congressional Appropriations Powers?" on Thursday, May 19, 2016, at 9:15 a.m. in room 2128 of the Rayburn House Office Building. The following witnesses will testify:

- Ambassador C. Boyden Gray, Partner, Boyden Gray & Associates;

- Nicholas Quinn Rosenkranz, Professor of Law, Georgetown University Law Center; and

- Paul Larkin, Senior Legal Research Fellow, Heritage Foundation

Following the 2008 financial crisis, the Department of Justice (DOJ) entered into settlement agreements to resolve federal and state civil claims arising out of the packaging, marketing, sale, and issuance of Residential Mortgage-Backed Securities (RMBS). The settlements included provisions to require financial institutions to provide relief, known as consumer relief, to underwater homeowners and potential homebuyers – particularly those in distressed areas of the country.

Although the consumer relief provisions called for first and second mortgage reductions to homeowners in areas hardest hit by the financial crisis, some provisions contemplated providing payments for the potential benefit of non-victim third parties. The provisions also raised constitutional concerns that they subverted the appropriations process by allowing funds to be sent to groups without prior approval by Congress. This hearing will examine whether the Obama Administration encroached on Congress's appropriations power and if DOJ overstepped its legal authority when crafting the RMBS settlements.