Statement of Ranking Member Bachus
Full Committee Hearing
"Compensation in the Financial Industry"
Friday, January 22, 2009

Thank you, Mr. Chairman. Since you have been Chairman, you have been very fair to Committee Republicans. You have invited witnesses that we have requested and often invited more than just one of our choices at certain hearings. I have always appreciated your consideration and I know my colleagues have too. Because you have almost always accommodated our requests, the decision to deny Republicans our witness choice for this hearing was very disappointing. What makes this hearing different from any other hearing? Why were Republicans denied our choice of witness?

We wanted to invite Ed DeMarco to the hearing today. Mr. DeMarco is the acting director of the Federal Housing Finance Agency, the overseer of Fannie Mae and Freddie Mac and the person who – along with Treasury Department officials – approved a $42 million payday for 12 executives of the failed GSEs, including $6 million to the chief executives. During a hearing called "Compensation in the Financial Industry," Republicans assumed we would be permitted to examine a real-life case of excessive, unreasonable executive pay at the two companies that have received more extraordinary taxpayer assistance – over $110 billion and counting – than any others. But we were wrong. Mr. Chairman, six million dollars is 15 times more than what the President earns and 30 times larger than a Cabinet secretary's pay. The Christmas Eve announcement led one commentator to say: "the taxpayer got scrooged."

Because the regulators failed to use their authorities to block these colossal paydays of *government employees*, Congress should step in. This week, along with several of my Republican colleagues on the Committee, I introduced legislation to protect taxpayers from having to foot the bill for any more multi-million dollar pay packages. Our bill would suspend the compensation packages of executives at Fannie and Freddie that have been approved for 2010, and subject these executives to compensation equal to the rate of pay for comparable Federal employees. The legislation also expresses the sense of the Congress that each executive should return the excessive pay they received in 2009 so we can reduce the federal budget deficit.

Mr. Chairman, I appreciate your pledge to invite the FHFA Acting Director to testify at a hearing to be held in late February. But this Committee should not have to wait another minute – much less five weeks – for an explanation of the Obama Administration's Christmas Eve raid on the treasury to reward the executives of failed companies that have cost the American taxpayer dearly. I yield back the balance of my time.

Statement For the Record By Ranking Member Spencer Bachus
Full Committee Hearing Entitled, "Compensation in the Financial Industry"

Friday, January 22, 2009

Chairman Frank has rebutted Financial Services Committee Republicans' criticism of the Christmas Eve compensation packages awarded to Fannie Mae and Freddie Mac executives by blaming Republicans for opposing executive compensation legislation that passed the House in April 2009 (but was never considered in the Senate) that included a provision prohibiting Fannie and Freddie from making any compensation payments that are "unreasonable or excessive," and any bonus payment that is not "performance-based," so long as taxpayers' investment in the firms remains outstanding (H.R. 1664).

In response it is important to note the following:

- The provision cited by the Chairman was part of a larger bill that Republicans (and some Democrats) opposed on the House floor. The bill which the Chairman touts has never been taken up in the Senate, which the last time I checked is still controlled by his party.

- That larger bill – which was hastily thrown together as a political response to the public outcry over bonuses paid to executives at AIG – was a bad bill, and I make no apologies for opposing it.

- H.R. 1664 would have given government bureaucrats virtually unbridled authority to write compensation rules for *all* institutions receiving direct capital investments by the government, including community banks across America that received funds under the Capital Purchase Program (5% loans and warrants). It was an overly broad bill that applied to all employees rather than just top executives. While supposedly targeted at compensation practices at large financial institutions like AIG, it unfairly penalized small community banks with responsible compensation arrangements that had nothing to do with the excesses on Wall Street.

- The bill gave the Treasury Secretary carte blanche to define "unreasonable and excessive" compensation, and set performance-based measures. It authorized him, with the approval of the members of the Federal Financial Institutions Examination Council and in consultation with the Chairperson of the TARP Congressional Oversight Panel, to become the arbiters of what is "unreasonable or excessive" compensation.

- Given its limited mandate, the Congressional Oversight Panel and its chairman, Elizabeth Warren, have no expertise on the issue of executive compensation, no expertise on the subject of corporate governance and no formal legal standing even to issue recommendations on policy questions.