

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2011

Pursuant to clause 4(f) of rule X of the Rules of the House of Representatives, section 301(d) of the Congressional Budget Act of 1974, and section 425 of Senate Concurrent Resolution 13, 111th Congress, the Committee on Financial Services is transmitting herewith (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2011; (2) an estimate of the budgetary impact of all legislation which the Committee expects to consider during the coming session; and (3) recommendations for improved governmental performance.

HOUSING AND COMMUNITY OPPORTUNITY

The FY 2011 Department of Housing and Urban Development (HUD) budget proposes an overall net funding level of \$41.6 billion to provide a critical safety net for our nation's poorest families, seniors, veterans, Native Americans, Native Hawaiians, and disabled persons, foster economic opportunities for low- and moderate-income families; and strengthen urban and rural communities with the prevention of foreclosures and stabilization of housing markets. The Committee supports the HUD budget for making investments in public and assisted housing, addressing the needs of families who are homeless or at risk of homelessness, and the creation and retention of jobs. In particular, the Committee supports the FY 2011 budget funding increase designed to cover renewal costs for the Section 8 housing choice voucher program and for the project-based Section 8 housing stock.

The FY 2011 budget is 5 percent below FY 2010 and reflects the decision to reduce and eliminate certain HUD programs as part of the Administration's proposed government wide freeze in spending on many domestic programs. These programs include the public housing capital fund, HOME Investment Partnerships, Native American Housing Block Grants (NAHBG), the Section 202 Supportive Housing Program for the Elderly, the Section 811 Supportive Housing Program for Persons with Disabilities, the Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program, the Brownfields program, the Housing Assistance Council, the rural housing multifamily restructuring program, and fair housing grants. The Committee will work to restore the funding cuts for these programs that serve lower income people and our most vulnerable seniors and disabled persons. The Committee also notes that the enactment of FY 2011 budget proposal to capitalize the Housing Trust Fund at \$1 billion to help finance the development, rehabilitation, and preservation of affordable rental housing for extremely low and very low income residents will help to offset the harmful effects of budget cuts to affordable housing programs.

The Administration again proposes to supersede and expand the HOPE VI program through its Choice Neighborhoods Initiative and the FY 2011 budget requests \$250 million for this program. The Committee expects to work with the Administration on authorizing legislation for the program and address the need for the replacement of demolished housing units. The FY 2011 budget funds \$150 million for the new Catalytic

Investment Competition Grants program to provide capital for larger scale economic development projects in distressed communities. The budget also provides \$150 million in funding for the second year of the Sustainable Communities Initiatives to better integrate housing, transportation and energy planning. The Committee is concerned about and will examine the use of CDBG funds for these new initiatives at a time when communities need greater CDBG assistance for ongoing community and economic development efforts.

**OFFICE OF INSPECTOR GENERAL, TREASURY, FEDERAL DEPOSIT
INSURANCE CORPORATION AND
NATIONAL CREDIT UNION ADMINISTRATION**

Under current law, the Offices of Inspectors General must conduct a Material Loss Review (MLR) when a federally supervised institution fails and results in a loss to the deposit insurance fund of more than \$25 million or 2 percent of the institution's total assets at the time of receivership. This threshold, set 25 years ago, has had the practical effect of preventing the Inspectors General from performing virtually any other functions in this current climate. During the past year, the inspectors general had requested the threshold be raised. The Committee is pleased to note that the House responded to their request by passing H.R. 3330, raising the threshold to \$200 million while still providing a level of review for bank failures under that threshold. The Committee encourages the Senate to support this legislation as soon as possible. In last year's budget views, the Committee expressed its support for the Inspectors General of the Treasury Department and the Federal Deposit Insurance Corporation (FDIC) to receive more resources. The Committee is pleased to acknowledge that those resources were provided through the Appropriations process.

The Committee believes the additional resources provided to these inspectors general are a crucial component of the Committee's requirement to ferret out waste, fraud and abuse and make recommendations for improved governmental performance in our budget views and estimates.

NATIONAL CREDIT UNION ADMINISTRATION

The Committee supports the requested increase of \$1 million in the FY 2011 funding for technical assistance for the Community Development Revolving Loan Fund.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The Committee supports the President's fiscal year 2011 budget increase from last year's appropriated level of \$246.5 million to \$250 million. Importantly, the Administration's budget request seeks to more efficiently allocate resources within the CDFI Fund program, including an increase to \$150 million of the core CDFI grant program (up 30 percent), which would begin to meet the heavy demand for CDFI services nationwide which serve some of the hardest hit communities economically. Additionally, the Committee shares the intent of the important new initiatives contained

in the budget request designed to improve the program and will work closely with the Department as these programs are developed.

U.S. SECURITIES AND EXCHANGE COMMISSION

The Administration's budget requests \$1.258 billion for the SEC for FY 2011, an approximately 12 percent increase over FY 2010 (an increase of nearly \$140 million) and an additional 380 positions (associated with an estimated 119 FTE). The bulk of the agency's funding request (62 percent) is directed towards fostering and enforcing compliance with federal securities laws. The enhanced funding and staffing levels requested will allow the SEC to improve its enforcement programs, better protect investors, hire staff with industry experience, and police today's complex markets.

While the Committee supports the Administration's funding and staffing requests for the SEC, as well as the Administration's emphasis on securities enforcement, compliance, and inspection activities, it notes that the SEC must continue to work to modify how the divisions associated with these functions operate in order to help restore investor confidence in the U.S. securities markets. The Committee will therefore continue to closely monitor developments related to the agency's organization and activities in the months ahead.

The Committee notes that it is anticipated that the full increase in spending for the SEC will be offset by an increase in the fees collected for securities transactions and registrations. For FY 2011, the SEC fee levels will be set to raise \$1.7 billion in collections in accordance with the requirements of the Investor and Capital Markets Fee Relief Act (P.L. 107-123). This represents an increase of \$220 million over FY 2010.

SECURITIES INVESTOR PROTECTION CORPORATION

The Administration's FY 2011 budget request includes, for the first time, budget estimates for Securities Investor Protection Corporation (SIPC). The reclassification of SIPC's budget treatment came as a result of a review in late 2009 by the Congressional Budget Office, the Office of Management and Budget, and congressional budget committees. The Committee has begun work on updating SIPC's governing statute in order to better protect investors and taxpayers. During 2010, the Committee will continue to explore options for reforming SIPC to better protect investors.

HOUSING FINANCE AND GOVERNMENT SPONSORED ENTERPRISES

It is the intention of the Committee to soon begin a process that will lead to a thorough reorganization of housing finance, which will include the replacement of Fannie Mae and Freddie Mac by appropriate institutions. Fannie Mae and Freddie Mac currently operate under the conservatorship of their regulator, the Federal Housing Finance Agency (FHFA), which Congress established in the 2008 Housing and Economic Recovery Act (HERA). As a result of HERA, FHFA operates outside of the appropriations process, but

the Administration's request notes that the agency's budget will be an estimated \$147 million in FY 2011, a 5 percent increase over the FY 2010 level. FHFA receives direct funding for its activities from mandatory assessments on the housing government-sponsored enterprises (GSEs) -- Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks (FHLBs).

The Administration's budget request does not place the housing GSEs on-budget. The request, however, presents statements of financial condition for the GSEs. The request also reflects Preferred Stock Purchase Agreement (PSPA) capital infusions. As of December 31, 2009, Fannie Mae and Freddie Mac had received a total of \$110.6 billion from the Treasury Department under the PSPA. Fannie Mae and Freddie Mac have thus far paid PSPA dividends of \$2.5 billion and \$4.3 billion, respectively, to the U.S. Treasury.

The Committee will continue to monitor closely the record delinquencies and foreclosures in the housing markets, as well as the resulting impact on the GSEs, and the response of the Administration. The Committee will further address these issues and housing finance broadly with an aim of providing stable, long-term financing mechanisms for the housing finance markets and affordable and appropriate single- and multi-family housing in the United States. The Committee will begin hearings on these topics early in 2010.

INTERNATIONAL PROGRAMS

Multilateral Development Banks

The budget includes \$3.065 billion in total funding for the Department of Treasury's international programs and reflects the Administration's commitment to meet major global development challenges through multilateral institutions and processes. \$1.708 billion in funding is requested for the multilateral development banks (MDB's), \$408.4 million for a U.S. contribution to a new World Bank multilateral food security trust fund, and \$635 million for international efforts to combat global climate change. The budget also includes a request for \$38 million for technical assistance programs. The Committee fully supports the funding requested to meet U.S. commitments at the multilateral development institutions made by the current and previous Administration.

Asian Development Bank (AsDB). The Board of Governors of the AsDB voted in May 2009 to approve the fifth capital increase for the AsDB, the first capital injection for the institution since 1994. The request of \$106.6 million for FY 2011 will cover the first of five paid-in capital contributions by the U.S. to the AsDB's fifth General Capital Increase.

The Committee expects implementation of the recently updated social and environmental safeguard policies at the AsDB to be fully consistent with the spirit, letter, and purpose of these policies and will continue to closely monitor their implementation, including any necessary changes to the Operations Manual to ensure full compliance with these protection measures.

Debt Relief

The Committee supports the President's FY 2011 request of \$50 million for the enhanced Highly Indebted Poor Countries (HIPC) Initiative to allow a substantial contribution towards meeting the \$75.4 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled. The Committee also supports the FY 2011 request of \$20 million under the Tropical Forest Conservation Act to provide debt relief for low and middle income countries to support conservation of tropical forests.

Haiti

The Committee continues to be very concerned about the very dire situation of the people of Haiti who are now facing unprecedented, emergency humanitarian and reconstruction needs. A massive, coordinated, multilateral effort will be required to meet the needs of the people of Haiti, who now face one of the worst cases of human misery in the hemisphere. Although the FY 2011 budget request does not include the additional funding necessary to address the devastating impact of the recent earthquake in Haiti, the Committee welcomes Secretary Geithner's recent announcement that the United States will work with its partners around the world to cancel Haiti's debt to the Inter-American Development Bank, the International Fund for Agricultural Development, and the International Development Association in a manner that provides direct and immediate grant support to Haiti. The Committee also welcomes International Monetary Fund Managing Director Dominique Strauss-Kahn's call to provide full relief for Haiti's outstanding IMF debt, including the \$102 million emergency loan approved on January 27, 2010. The moral case for canceling Haiti's debt is clear, and the Committee stands prepared to work with the Administration to authorize a swift and substantial U.S. commitment to comprehensive multilateral debt cancellation for Haiti.

Multilateral Food Security Trust Fund

The budget includes a request of \$408.4 million for a Multilateral Food Security Trust Fund at the World Bank. The aim of this new multi-donor trust fund, also known as the Global Agriculture and Food Security Program (GAFSP), is to help developing countries improve food security and reduce poverty. The budget request would allow the U.S. to make an initial contribution to the fund of \$475 million, using FY 2011 and FY 2010 funds.

The Committee welcomes the Administration's commitment to elevate agriculture's priority on the development agenda. The Committee looks forward to reviewing the World Bank's Global Agriculture and Food Security Program, particularly in light of various reports over the past few years, including one by the Bank's own internal evaluation unit, that the Bank's past interventions in African agricultural sectors were ineffective and may in fact have contributed to lower growth rates and a deepening of rural poverty.

Climate Change and the Environment

The Climate Investment Funds at the World Bank, which include the Clean Technology Fund and the Strategic Climate Fund, were given a high priority by the previous Administration as an effort to help developing countries bridge the gap between dirty and clean energy and boost the World Bank's ability to help developing countries tackle climate change.

Treasury is requesting \$400 million for the Clean Technology Fund and \$235 million for the Strategic Climate Fund. The Committee believes support for the Funds should be measured in part by the degree to which climate considerations are made a part of all the investment and funding activities of the MDB's.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001, terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Program Reauthorization Act of 2007 to extend TRIA through calendar year 2014. The President's budgets for FY 2004 through FY 2008 did not include estimates of potential insurance claims under TRIA because of the uncertainty surrounding the risk of future terrorist attacks. However, the FY 2009 through FY 2011 budgets included an estimated Federal cost of providing terrorism risk insurance. The Committee notes with interest that the President's budget for FY 2011 seeks to realize budgetary savings through a legislative proposal to alter TRIA before the program's existing 2014 sunset date. In advance of considering any such legislative proposal, the Committee renews its concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008 and states its belief that the budgetary savings envisioned in the President's FY 2011 budget could also be achieved through employing the methodology used to account for TRIA in the President's budgets for FY 2004 through FY 2008.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Committee supports comprehensive reform and long-term reauthorization of the National Flood Insurance Program (NFIP). The Committee will continue to work with the Committee on Transportation and Infrastructure regarding land use and management in connection with the NFIP. The Committee is encouraged that the President's budget for FY 2011 maintains previous budgetary assumptions to provide for the vital insurance, loss mitigation and risk management functions of the NFIP for the whole of FY 2011. The Committee further supports the non-legislative efforts outlined in the President's budget for FY 2011 to expand NFIP participation, further flood loss mitigation and better manage flood risk.