

Testimony before the
House Committee on Financial Services
2129 Rayburn House Office Building
by
Chairman Phil Angelides,
Financial Crisis Inquiry Commission
February 16, 2011

Chairman Bachus, Ranking Member Frank, members of the Committee, thank you for the invitation to discuss the report and conclusions of the Financial Crisis Inquiry Commission. It was my honor to chair the panel, which officially disbanded three days ago. I want to thank my colleague, Vice Chairman Bill Thomas, for his service.

This Committee requested that I address three subjects today: the Commission's report; the inability to reach consensus on some conclusions; and the Dodd-Frank Wall Street Reform and Consumer Protection Act in light of the Commission's report.

Let me describe our inquiry. In 2009, Congress tasked the Commission to examine "the causes of the current financial and economic crisis in the United States," and to probe the collapse of major financial institutions that failed or would have failed if not for exceptional assistance from the government. We were true to our charge and we fulfilled our mandates.

Our task was to determine what happened and how it happened so we could understand why it happened. In doing so, we sought to answer this central question: How did it come to pass that in 2008 our nation was forced to choose between two stark and painful alternatives -- either risk the total collapse of our financial system and economy -- or inject trillions of taxpayer dollars into the system and into private companies -- even as millions of Americans still lost their jobs, their savings, and their homes?

In the course of the Commission's more than year-long investigation, we reviewed millions of pages of documents, interviewed more than 700 witnesses, and held 19 days of public hearings in New York, Washington, D.C., and in communities across the country that were hard hit by the crisis. The Commission also drew from a large body of existing work developed by congressional committees, government agencies, academics and others.

The Commission's report contains six major conclusions:

First and foremost we concluded that this financial crisis was avoidable. The crisis was the result of human action, inaction and misjudgment, not Mother Nature. Financial executives and the public stewards of our financial system ignored warnings and failed to question, understand, and manage evolving risks within a system so essential to the well-being of the American public.

Second, we found widespread failures in financial regulation that proved devastating to the stability of the nation's financial markets. Third, our report describes dramatic breakdowns in corporate governance and risk management at many systemically important financial institutions. Fourth, we detail the excessive borrowing, risky investments, and lack of transparency that combined to put our financial system on a collision course with catastrophe. Fifth, we concluded that key policy makers were ill prepared for the crisis, and that their inconsistent responses added to uncertainty and panic. And sixth, we documented how breaches in accountability and ethics became widespread at all levels during the run-up to the crisis.

Our report, as well as the two dissents, can be found at our website, www.FCIC.gov. That website also contains approximately 2,000 documents; public testimony at our hearings; audio, transcripts and summaries of more than 300 witness interviews; and additional staff reports and data to create an enduring historical record of this crisis.

In addition to the major causes we identify, the Commission thoroughly investigated some important mechanisms of the financial system. We determined that collapsing mortgage-lending standards, the flawed mortgage securitization pipeline, over-the-counter derivatives, and the actions of the credit rating agencies contributed significantly to the financial meltdown.

The Commission also investigated whether the crisis was caused by excess capital availability and liquidity; the activities of Fannie Mae and Freddie Mac; and government housing policies. We concluded that excess liquidity, by itself, did not need to cause a crisis, and that Fannie Mae and Freddie Mac contributed to the crisis but were not a primary cause. We determined that government housing policies were not a significant factor in the crisis.

As to the lack of consensus, let me first say all 10 Commissioners were afforded the opportunity to provide extensive input as we undertook our work. While commissioners were not unanimous on all issues or on the emphasis we placed on key causes of the crisis, there were, in fact, many areas of agreement. Importantly, setting aside the conclusions and dissents, this report contains a valuable and accurate historical account of the events leading up to the crisis and the crisis itself.

Finally, you have asked me to comment on the Dodd-Frank financial reform law. With our inquiry and report completed and the facts in evidence, I will now speak to this matter. I believe that the law's financial reforms are strong and needed, and that the law directly and forcefully addresses issues and conclusions identified in our report. I believe full implementation of its provisions is critical and will help prevent a future crisis.


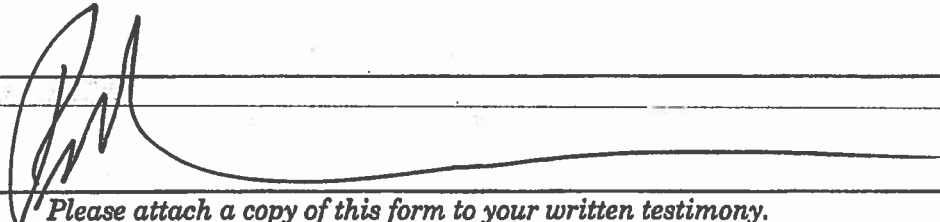
In conclusion, it is my hope that our report will serve as a guidepost in the years to come as policy makers and regulators endeavor to spare our country from another catastrophe of this magnitude.

Thank you. I look forward to your questions.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Philip Nicholas Angelides	2. Organization or organizations you are representing: None. I am representing my views as the former Chairman of the Financial Crisis Inquiry Commission.
3. Business Address and telephone number: 	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? See Number 6. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? See Number 6. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered "yes" to either Item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. The Financial Crisis Inquiry Commission was a federal commission created by Section 5 of the Fraud Enforcement and Recovery Act of 2009, Public Law 111-21, and received federal appropriations. As the former Chairman from July 2009 to February 13, 2011, I received compensation and travel expenses as provided in the statute.	
7. Signature: 	

Please attach a copy of this form to your written testimony.