**[COMMITTEE PRINT]**

108TH CONGRESS, *1st Session* } HOUSE OF REPRESENTATIVES {

# OVERSIGHT PLAN OF THE COMMITTEE ON FINANCIAL SERVICES FOR THE ONE HUNDRED EIGHTH CONGRESS

FEBRUARY 5, 2003.—Approved by the Committee on Financial Services, as amended.

Mr. OXLEY, from the Committee on Financial Services, submitted to the Committee on Government Reform and the Committee on House Administration the following

## REPORT

Clause 2(d)(1) of rule X of the Rules of the House of Representatives for the 108th Congress requires each standing committee, not later than February 15 of the first session to adopt an oversight plan for the 108th Congress. The oversight plan must be submitted simultaneously to the Committee on Government Reform and the Committee on House Administration.

The following agenda constitutes the oversight plan of the Committee on Financial Services for the 108th Congress. It includes areas in which the Committee and its subcommittees expect to conduct oversight during this Congress, but does not preclude oversight or investigation of additional matters or programs as they arise. The Committee will consult, as appropriate, with other committees of the House that may share jurisdiction on any of the subjects listed below.

### INTERNATIONAL FINANCIAL ISSUES

*Annual report and testimony by the Secretary of the Treasury on International Monetary Fund Reform and the State of the International Financial System.* The Committee will review and assess the annual reports to Congress from the Secretary of the Treasury on the International Monetary Fund (IMF) and the state of the international financial system. Pursuant to section 613 of Public Law 105-277, the Committee will hear annual testimony from the Secretary of the Treasury on: (1) progress made in reforming the IMF; (2) the status of efforts to reform the international financial system; (3) compliance by borrower countries with the terms and

conditions of IMF assistance; and (4) proposals to change the international sovereign bankruptcy system.

*Basel Capital Accord.* The Committee will continue to review proposals for a new Basel Capital Accord, which is an agreement by the G-10 central banks to establish common minimum capital standards for their banking industries. The members of the Basel Committee have been negotiating changes to the Basel Accord and are set to release their third and final consultative paper in March of 2003. The Committee will examine the need for the recommended changes to the current Basel Accord and address concerns related to the proposed capital charges for operational and credit risk. The Committee will address whether the proposed new capital charges will have a discriminatory effect on U.S. financial institutions and whether there are any other potential unintended consequences stemming from the proposed Accord.

*Export-Import Bank of the United States.* In the 107th Congress the Committee extended and revised the charter of the Export-Import Bank of the United States (Ex-Im) through the enactment of the Export-Import Bank Reauthorization Act of 2002 (Public Law 107-189). This legislation made significant changes to the operation of the "Tied Aid" program and strongly encouraged the Bank to increase its transactions with small businesses. Additionally, the Committee approved changes to the way the Bank evaluates and approves transactions that are subject to an anti-dumping or countervailing duty order. The Committee will oversee the implementation of these new mandates on the Bank and will examine the competitiveness of the Bank as compared to foreign export credit agencies. In order to assess their effect on Ex-Im competitiveness, the Committee will review any cases where the President invokes his Executive power to block Ex-Im financing due to foreign policy considerations.

*U.S. Contributions to the International Financial Institutions.* The Committee will review U.S. participation in, and the effectiveness of U.S. policy toward, the International Monetary Fund, the World Bank Group, and the regional multilateral development banks (MDBs). Special attention will be given to the continuing instability in Latin America, with particular emphasis on Argentina, Brazil, Venezuela, Colombia, and Haiti; on MDB involvement in the reconstruction of Afghanistan; on the implications for the International Financial Institutions of a war with Iraq; on proposals to change the international sovereign bankruptcy system; on efforts to improve the transparency of IFIs; on implementation of privitization programs sponsored by the MDBs; and on anti-corruption measures within the MDBs.

*North American Development Bank.* The Committee will monitor and conduct necessary oversight activities over U.S. involvement in the North American Development Bank (NADBank). Specifically, the Committee will review the joint reform proposal for the NADBank as agreed to by President George W. Bush and President Vicente Fox of Mexico.

*Trade in Financial Services.* With passage of the Trade Promotion Authority Act (Public Law 107-210), the Chairman and Ranking Minority Member of the Committee were named to the Congressional Oversight Group on Trade. In this capacity the Committee will be active in the oversight of trade negotiations and will

consult regularly with the U.S. Trade Representative on matters within the jurisdiction of the Committee. The Committee will monitor negotiations for increased trade liberalization and consult with U.S. counterparts to those negotiations. The Committee will examine the financial services and investment provisions of free trade pacts, including the Chile and Singapore Free Trade Agreements.

*International Corporate Governance Issues.* The Committee will continue to monitor various proposals by the European Union (EU) in the area of corporate governance. Those include efforts to adopt International Accounting Standards, the proposed EU Directive on Conglomerates and the Financial Services Action Plan (FSAP). The FSAP is a far-reaching reform of the EU's financial services sector, and as such will impact American companies, consumers and investors. The Committee is committed to working with U.S. and European regulators to ensure fair access to Europe's financial markets. The Committee will also monitor international implications of the recently-enacted Sarbanes-Oxley Act (Public Law 107-204).

*International Debt Relief.* The Committee will monitor and conduct necessary oversight activities regarding the implementation of legislation passed in the 106th Congress to authorize U.S. funding for the Enhanced Heavily Indebted Poor Country (HIPC) Initiative. The Committee will assess progress made by the IMF and World Bank in granting multilateral debt relief to qualified HIPC countries. The Committee will also monitor the development and adoption of poverty reduction strategies by the HIPC countries, and will assess compliance with other conditions on U.S. funding specified in the authorizing legislation. In addition, the Committee will assess the $1 billion shortfall in financing for the HIPC Trust Fund, as determined by the G-8 leaders at the June 2002 Economic Summit. The Committee will assess the effectiveness of the current HIPC initiative, as well as the need for reforms.

*Administration's Millennium Challenge Account.* The President announced on March 14, 2002 that the United States will increase its core development assistance by 50 percent over the next three years, resulting in a $5 billion annual increase over current levels. The additional funds will go to a new Millennium Challenge Account (MCA) designed to help developing nations improve their economies and standards of living. The Committee will monitor and assess the impact of the MCA on the MDBs and debt relief efforts. It will also assess efforts by the Secretaries of State and Treasury to work with the world community to develop clear, concrete and objective criteria for measuring progress in good governance, health and educational investment, and employing economic policies that foster economic freedom-all essential tenets of the MCA as proposed.

*Global Fund to Fight AIDS, Tuberculosis and Malaria.* The Committee will monitor and conduct necessary oversight activities regarding the implementation of the Global AIDS and Tuberculosis Relief Act of 2000 (Public Law 106-264) which authorizes an international trust fund, led by the United States and other donors, to address the crisis of AIDS and other infectious diseases through support of prevention, education and treatment efforts in sub-Saharan Africa and other hard-hit regions. This legislation laid the groundwork for the establishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), which is a public-

private partnership headquartered in Geneva, Switzerland. The World Bank holds an ex-officio (non-voting) seat on the Global Fund's board and serves as the Global Fund's trustee and banker, while the Secretary of Health and Human Services is a voting board member. With the United States as the leading contributor to the Global Fund, the Committee must oversee its operations to ensure that the Global Fund and the World Bank operate effectively and on a timely basis in rendering funds and aid as required by the Global AIDS and Tuberculosis Relief Act. The Committee expects to receive testimony from the Secretary of the Treasury and other U.S. governmental entities with expertise on the Global Fund, such as the General Accounting Office (GAO). In addition, it will review the status of the World Bank's programs to reduce HIV/AIDS, such as the World Bank Multi-Country AIDS Program.

*Coordination of International Financial Services Programs.* The Committee will review the coordination among various Executive branch agencies in promoting financial services trade, including the priority and rank of such programs and program officials.

## FINANCIAL SERVICES INDUSTRY/CONSUMER PROTECTION

### FINANCIAL INSTITUTIONS

*Implementation of USA PATRIOT Act.* The Committee will monitor regulatory implementation by the Treasury Department and other relevant government agencies of the anti-money laundering and terrorist financing provisions of the USA PATRIOT Act (Public Law 107-56).

*Money Laundering.* The Committee will review enforcement of anti-money laundering laws and regulations, including but not limited to those enacted or implemented as part of the USA PATRIOT Act. This review will include examination of the administration's annual National Money Laundering Strategy, and consideration of whether to reauthorize the statutory provisions which require submission of the Strategy, which are set to expire in 2003. The Committee will also monitor the establishment of the new Department of Homeland Security to ensure that the anti-money laundering efforts of its component agencies continue.

*Deposit Insurance Reform.* The Committee will continue its review of proposals to reform the Federal deposit insurance system. During the 107th Congress, the Committee conducted comprehensive hearings on various aspects of the deposit insurance system, culminating in overwhelming House passage of reform legislation that was never considered in the Senate. The Committee's focus in this Congress will be on addressing inequities and potential economic distortions that exist in the current system, while ensuring that Federal deposit insurance continues to serve its historical function as a source of stability in the banking system and a valued safety net for depositors.

*Implementation of Gramm-Leach-Bliley Act.* The Committee will continue to monitor various aspects of the implementation of the Gramm-Leach-Bliley Act (GLB), the landmark financial modernization law enacted in 1999. Included in the Committee's review will be regulatory interpretations of (1) GLB's provision authorizing the Federal Reserve Board and the Treasury Department to define activities that are "financial in nature," and therefore permissible for

financial holding companies and financial subsidiaries to engage in; and (2) the Title II "push-out" provisions, relating to regulation of certain securities activities conducted within banking organizations. The Committee will also review government and private sector implementation of the financial privacy requirements of Title V of GLB, which give consumers notice and choice about how their financial information is used and disseminated by financial firms.

*Fair Credit Reporting Act.* In conjunction with the January 1, 2004, expiration of provisions that provide for uniform national treatment of certain aspects of the credit reporting process, the Committee will conduct a comprehensive review of the Fair Credit Reporting Act (FCRA). Among the issues that the Committee expects to consider are whether the uniform Federal standards established by the 1996 amendments to the FCRA have benefited consumers and the national economy, and what the consequences would be of allowing the States to set their own standards. The Committee will review other FCRA issues such as proposals to address the Federal Trade Commission staff's opinion letter relating to the treatment under the FCRA of employer investigations of employee misconduct (the so-called "Vail letter"); the adequacy of efforts by furnishers of credit reporting data and the credit bureaus to ensure the accuracy of information that appears in consumer credit reports; and the increasing use of credit scores to determine consumers' eligibility for everything from loans to auto insurance policies.

*Financial Privacy and Identity Theft.* In addition to examining privacy in the context of the FCRA and GLB, the Committee will conduct a broader review of financial privacy issues to determine whether existing government policies and industry practices provide sufficient protections for consumers. With the prevalence of identity theft increasing at an alarming rate, the Committee will focus particular attention on government and private sector initiatives to prevent identity theft and to assist victims of the crime.

*Internet Gambling.* The Committee will continue to monitor the use of financial instruments—which include credit cards, checks, electronic funds transfers and other alternative forms of payment—in unlawful Internet gambling. The Committee's review will focus on the potential misuse of illegal offshore Internet gambling sites to facilitate money laundering, terrorist financing, and other criminal activity, as described by the Department of Justice and the Federal Bureau of Investigation in testimony to the Committee last Congress.

*Payments System Innovations.* The Committee will review government and private sector efforts to achieve greater innovations and efficiencies in the payments system, including specific legislative proposals to facilitate greater electronic processing of paper checks.

*Credit Unions.* The Committee will continue to monitor the National Credit Union Administration's implementation of the Credit Union Membership Access Act of 1998. The Committee will consider other credit union issues in conjunction with its review of legislative proposals to offer depository institutions relief from outdated or unnecessary regulatory burdens.

*Financial Supervision.* The Committee will require Federal regulators to provide periodic updates on their safety and soundness su-

pervision of the banking, thrift and credit union industries, to ensure that systemic risks or other structural weaknesses in the financial sector are identified and addressed promptly. Several recent high-profile failures of depository institutions, involving large losses to the insurance funds relative to the asset size of the failed institutions, have raised questions about the effectiveness of prompt corrective action (PCA) and other supervisory tools for addressing troubled institutions.

*Regulatory Burden Reduction.* The Committee will review the current regulatory burden on banks, thrifts, and credit unions with the goal of reducing unnecessary or duplicative regulations consistent with consumer protection and safe and sound banking practices. The Committee's starting point will be the work done in the prior Congress in preparation for its consideration of the Financial Services Regulatory Relief Act of 2002 (H.R. 3951). In evaluating proposals to grant regulatory relief to financial institutions, the Committee will examine whether cost savings achieved through regulatory burden reduction are passed on to consumers.

*Consumer Protections.* In addition to issues addressed throughout this oversight plan that relate to consumers of financial services, the Committee will consider other specific consumer protection issues within its jurisdictional purview, including promoting greater financial literacy; ensuring the availability of credit and other financial products and services to low and moderate-income Americans; and examining proposed revisions to various titles of the Consumer Credit Protection Act, including the Truth in Lending Act and the Fair Debt Collection Practices Act.

*Credit Card Regulation.* The Committee will continue its review of credit card industry practices, as they relate to both consumer protections and the management of risk by card-issuing banks. The Committee's review will encompass recent regulatory guidance issued by the Federal banking agencies governing loss-recognition standards and other account management practices employed by credit card banks.

*First Accounts/Electronic Transfer Accounts.* In addition to monitoring the First Accounts Initiative, the Committee will continue to monitor the Treasury Department's implementation of the Electronic Transfer Account (ETA) program, along with for unbanked recipients of social security, veterans' benefits, and other Federal payments. A 2002 General Accounting Office study of this program found that the actual number of unbanked recipients of Federal payments may be twice the number originally estimated by the Department of the Treasury. The Committee intends to continue to seek ways to improve the effectiveness and efficiency of the ETA program, including exploring other electronic payment options to extend the program's reach and broaden the availability of low-cost financial services to the unbanked.

INFORMATION SECURITY

*Data Protection.* The Committee will continue its review of the policies and procedures of Federal and State governments and the private sector to protect sensitive information about consumers from improper disclosure, theft, or loss. The Committee will also review the benefits and costs of current government and private sec-

tor initiatives to protect the privacy of information they own regarding consumers.

*Antifraud Network.* The Committee will continue to review the inadequacies in current government procedures for information sharing on regulated financial companies and professionals. The Committee will continue its examination of both the need for a more comprehensive anti-fraud network to prevent financial crimes as well as better established procedures governing information sharing among government and quasi-government entities.

*Cybersecurity.* The United States has long been dependent on a complex of systems that link critical infrastructures to assure delivery of vital services. Cyberterrorism is an issue of growing national interest. Many believe terrorists plan to disrupt the Internet or other critical infrastructures such as transportation, communications, or banking and finance. The Committee will examine the financial services industry's susceptibility to a cyber attack and work to ensure the security of the financial services infrastructure.

*Electronic Signatures and E-Commerce.* The Committee will continue to monitor the evolution of electronic signature technology and laws to ensure that consumers are able to take maximum advantage of new electronic commerce financial products and services without undue burdens and with the proper level of security and communication protections.

INSURANCE

*Insurance Solvency Regulation.* The Committee will continue its examination of the National Association of Insurance Commissioners (NAIC) accreditation program that judges the adequacy of State insurance financial regulation. The Committee will focus on the steps the NAIC has taken to update the program since its inception in the early 1990's and will analyze other areas for improving the financial regulation of insurers.

*Market Conduct Regulation.* The Committee will review the need to modernize market conduct supervision to increase efficiency to better serve insurance consumers. The Committee will focus on the efforts of State insurance regulators to improve the quality and uniformity of market conduct oversight.

*Agent Licensing Reform.* The Committee will continue its review of the States' progress in passing and implementing uniform or reciprocal insurance agency licensing reform and what further measures may be necessary to promote uniformity in agent licensing.

*Insurance Product Approval.* The Committee will continue its review of the need to modernize the State product approval process to achieve uniformity, efficiency, and timeliness in the regulatory review of insurance rates and forms. This review will include an evaluation of the NAIC interstate compact proposal for life and health products as well as the NAIC improvements to State-based systems initiative for property and casualty products. The Committee will pay particular attention to State legislative efforts designed to adopt these proposals.

*National Insurance Uniformity.* The Committee will review various alternatives for modernizing the regulation of insurance, including State by State improvements, coordination of State regulation through the NAIC, Federal promotion of State uniformity, pro-

posals for an optional Federal charter, and other reforms for improving the efficiency and effectiveness of insurance regulation.

*Terrorism Insurance.* The Committee will continue to monitor the terrorism insurance marketplace and will conduct oversight of the Terrorism Risk Insurance Act of 2002 (Public Law 107-297) and its implementation by the Treasury Department, State insurance departments, and insurance underwriters, agents, and brokers, to ensure that the goals of the legislation are being met.

*Workers Compensation Insurance.* The Committee will examine the current state of workers compensation insurance to determine the reasonableness of the types of claims and charges being made, and to consider whether further efficiencies or anti-fraud mechanisms can be developed.

*Insurance Marketing.* The Committee will examine a number of consumer protection issues concerning the marketing of insurance products, potentially including the churning of life insurance, sales and marketing representations, coercion and pressure tactics, product bundling, and excessive premium charges for credit insurance and mortgage insurance.

*Insurance Fraud.* The Committee will continue its examination of the efforts by the States, the NAIC, and other entities, to locate and fight insurance fraud. Specifically, the Committee will consider legislation that addresses the problem of ineffective regulation in the area of viaticals while encouraging this relatively new industry to provide consumers a valuable service.

*Insurance Consumer Protections.* The Committee will examine the regulatory systems established by the States to protect consumers' insurance interests. The Committee will also examine the practice of recording consumer inquiries as part of consumer claim records.

*Seniors' Retirement Needs.* The Committee will review the insurance needs particular to those contemplating or currently in retirement, including the use of annuities, long term care insurance, insurance pension programs, 401(k)s, as well as nursing care insurance and other old age insurance programs. The Committee's focus will include newly marketed hybrid insurance instruments that incorporate features of securities and banking products. The Committee will examine whether seniors' assets are being adequately protected and whether Federal and State financial regulators are ensuring that seniors' products are being properly regulated without any gaps in functional oversight.

*Risk Retention Act.* The Committee will conduct a review of alternative risk transfer arrangements to determine their effectiveness in offering consumers alternatives to traditional property and casualty insurance products. The Committee will focus particularly on the Risk Retention Act of 1981 and its 1986 amendments.

*Preemption of State Insurance Law.* The Committee will review efforts by Federal agencies to preempt State laws governing insurance activities, and will also examine any controversial State insurance laws to ensure that they do not significantly interfere with Federally authorized powers of financial institutions.

*Professional Liability Insurance.* The Committee will examine the current crisis in many sectors of professional liability insurance to determine whether further efficiencies and reforms are needed to abate the crisis.

*Insurance Litigation Reform.* The Committee will review issues surrounding reform of asbestos insurance settlements, examining the reasonableness of fees and compensation awarded, determining to what degree the settlements serve the parties' interests, and considering how these costs effect the property and casualty insurance marketplace. In particular, the Committee will focus on the effect of excessive asbestos awards on other insurance consumers, including the impact on the long term affordability and availability of property and casualty insurance for consumers.

*Holocaust Claims.* The Committee will review efforts to ensure that restitution is made to Holocaust victims and heirs for confiscated bank accounts or payable insurance claims. The Committee will monitor the agreement of the German insurance industry to provide $275 million to pay Holocaust-era insurance claims and fund humanitarian purposes under an agreement with the international commission supervising the payment of claims.

*Mold.* The Committee will continue to investigate the potential deleterious effect of mold on homeowners and its effect on the insurance marketplace. The Committee will pay particular attention to the Center for Disease Control's literature review regarding the effects of indoor exposure to mold which is expected this spring.

*Natural Disaster Insurance.* The Committee will review the availability and affordability of natural disaster insurance for homeowners, and will consider proposals for improving insurers' access to capital in the reinsurance, banking, and securities markets to ensure adequate capacity and solvency of the industry to meet consumer needs. The Committee will pay particular attention to the potential benefits of natural disaster securitization, catastrophic reinsurance, and proper long-term reserving.

*Homeowners' Insurance—Price Controls, Underwriting Criteria, and Availability.* The Committee will continue its review of the ongoing crisis in homeowners' insurance availability in several States, including how State price controls diminish long term supply and options for coverage. The Committee will also examine how well different insurers' underwriting criteria are causally linked to future claims paying estimates, and the impact of such criteria on the homeowners' marketplace. This examination may potentially include how insurance claims and inquiries are scored, and how financial characteristics unrelated to a consumers' insurance history are factored into the sale of homeowners' insurance policies.

*Corporate-Owned Life Insurance.* The Committee may review the practice of companies obtaining life-insurance policies for certain employees, including any notifications given to those employees.

SECURITIES ISSUES

*Sarbanes-Oxley Implementation.* The Committee will monitor and review the implementation of the Sarbanes-Oxley Act, including agency regulatory actions and the work of the Public Company Accounting Oversight Board created by the Act.

*Capital Formation.* The Committee will review regulatory impediments to capital formation and seek both regulatory and market-based incentives for capital formation, including initial public offering (IPO) allocation, the role of venture capital providers, and ways to provide further incentives to enhance the supply of venture capital.

*Investor Restitution.* The Committee will examine the adequacy of investor restitution regulations and whether additional measures are necessary to make defrauded investors whole.

*Double Taxation of Corporate Dividends.* The Committee will examine the President's proposal to eliminate the double taxation of corporate dividends and its impact on investors and the capital markets.

*Mutual Fund Fees.* The Committee will undertake an examination of current trends in mutual fund fees, including the adequacy of disclosure to shareholders and the efficacy of that disclosure in promoting fee-based competition. Included in this review will be an examination of the benefits of providing dollar-specific fee information to investors on trade confirmations and/or shareholder account statements.

*Portfolio Transaction Expenses in Mutual Funds.* The Committee will examine the transparency of portfolio transaction expenses incurred by mutual funds and consider the benefits to shareholders of requiring that those expenses be included in funds' expense ratios, as well as what impact enhanced transparency of those expenses would have on churning by portfolio managers.

*Rule 12b-1.* The Committee will review the role of 12b-1 marketing fees and whether investors are benefiting from economies of scale as a result of 12b-1 plans. The Committee will also review whether changes to Rule 12b-1 are necessary as a result of developments in fund distribution.

*Revenue Sharing Payments.* The Committee will also examine revenue-sharing payments, also called distribution fees, made by mutual funds to brokerage firms to get access to their brokers. The Committee will explore the transparency of these arrangements, which may create conflicts of interest, and whether regulatory action is warranted.

*Soft-Dollar Practices.* The Committee will examine the role of "soft-dollar" arrangements (such as providing computers or office space in lieu of payment) and the regulation and transparency of those arrangements, as well as their impact on investors, in particular with respect to mutual fund investors.

*International Accounting Practices.* The Committee will review the work of the International Accounting Standards Board and the impact and importance of international accounting standards.

*Securities Investor Protection Corporation.* The Committee will review the operations of the Securities Investor Protection Corporation and proposals to improve its effectiveness.

*Credit Rating Agencies.* The Committee will examine the role of credit rating agencies, including whether there are conflicts of interest that should be disclosed to investors, and whether there are any barriers to entry.

*Money Laundering.* The Committee will examine the potential use of mutual funds in money laundering, and consider what regulatory steps may be necessary to combat such activity.

*Reducing Barriers to Efficiency for Mutual Fund Shareholders.* The Committee will review the impact of certain restrictions under section 17(a) of the Investment Company Act of 1940 on the efficiency of trading by mutual funds, in particular, in light of increasing affiliations among financial services firms in the wake of Gramm-Leach-Bliley.

*The Role of Mutual Funds in the Technology Bubble.* The Committee will examine the role that mutual funds played in the creation of the so-called "technology bubble," with a focus on the hundreds of technology and Internet funds established in the 1990's.

*Corporate Governance.* The Committee will examine the role and actions of directors of public companies and mutual funds, to ensure shareholders' interests are being served.

*Portfolio Transparency.* The Committee will consider ways to improve transparency of mutual fund holdings to investors, including the proposed rule currently under consideration at the SEC.

*Proxy Voting.* The Committee will monitor the implementation of the Commission's rule requiring funds to disclose the votes they cast on behalf of their shareholders.

*Securities Future Products.* The Committee will review efforts to implement the provisions of the Commodity Futures Modernization Act of 2000 with regard to the trading of futures contracts based on securities. The Committee will undertake an analysis of the rules proposed thus far and their effectiveness in promoting broad and liquid security futures markets in the United States.

*Retirement Plan Management.* The Committee, working with other Committees of jurisdiction, will examine the factors that influence selection of fund managers by retirement plan trustees.

*Market Structure.* The Committee will review recent developments in the structure of the U.S. capital markets to determine what regulatory or other changes might further benefit competition and improve prices for investors.

*Investor Education and Literacy.* The Committee will continue to promote efforts to increase investor education, with a focus on fees and expenses, particularly in the mutual fund area.

*Analyst Conflicts.* The Committee will monitor the implementation of new rules affecting securities analysts to evaluate their efficacy in fighting conflicts of interest.

*Investment Banks and Accounting Fraud.* The Committee will review the report by the GAO on the role of investment banks in the Enron collapse.

*IPO Allocation.* The Committee will review current practices regarding allocation of IPOs and proposals to improve this process to increase investor access to IPOs as well as market efficiency and transparency.

*Financial Markets and the 9/11 Terrorist Attacks.* The Committee will review studies pertaining to the recover of the financial markets from 9/11 terrorist attacks and disaster recovery planning efforts by financial regulatory agencies and the financial services industry.

*Hedge Funds.* The Committee will monitor the review by the SEC of the regulation of hedge funds, and consider the implications to U.S. markets if the hedge fund business were to move offshore. The Committee will also examine the access to hedge funds by investors and the risk disclosures that hedge fund investors must receive.

GOVERNMENT SPONSORED ENTERPRISES

*Federal Home Loan Bank System.* The Committee will monitor various regulatory initiatives undertaken by the Federal Housing Finance Board, which oversees the Federal Home Loan Bank Sys-

tem, including proposals to allow members of the System to belong to more than one of the twelve Federal Home Loan Bank districts, and to require the Federal Home Loan Banks to register the capital stock they sell to members with, and periodically report to, the Securities and Exchange Commission (SEC), under the Securities Exchange Act of 1934.

*GSEs and Financial Disclosure.* In July 2002, Fannie Mae and Freddie Mac agreed to voluntarily register their common stock under the Securities Exchange Act of 1934. Registration under the that Act triggers periodic disclosure requirements about the financial condition and management of companies that issue securities. The Committee will examine transparency and market discipline for the Government Sponsored Enterprises, including and the status of the voluntary registration by Fannie Mae and Freddie Mac under the Securities Exchange Act of 1934, the contents and recommendations of the study on MBS disclosure, and proposed financial disclosure by the Federal Home Loan Banks.

*OFHEO's Risk-based Capital Standard.* During the 107th Congress, the Office of Federal Housing Enterprise Oversight (OFHEO) finalized a risk-based capital rule for Fannie Mae and Freddie Mac. This regulation specifies the stress test to be used in determining the risk-based capital requirements for the two GSEs and, along with the minimum leverage capital requirement, the capital classifications for purposes of possible supervisory action. The Committee will hold hearings to review the initial stress test results, OFHEO's proposed changes to the risk-based capital rule, OFHEO's enforcement of the rule, and related safety and soundness issues, such as GSE interest rate risk management and duration gap.

*GSE Regulatory Restructuring.* Regulation of the housing GSEs is widely dispersed. The Office of Federal Housing Enterprise Oversight, an independent office within the Department of Housing and Urban Development, regulates the safety and soundness of Fannie Mae and Freddie Mac. HUD regulates Fannie Mae and Freddie Mac for mission compliance by setting affordable housing goals, approving new business activities, and conducting fair lending reviews. Similarly, the Federal Home Loan Banks are regulated by the Federal Housing Finance Board, an independent agency within the executive branch. Its purpose is to ensure that the FHLBs operate in a financially safe and sound manner and carry out their affordable housing and community investment mission programs. The Committee will examine whether the existing GSE regulatory structure should be reformed, whether the supervisory and enforcement powers of GSE regulators should be strengthened, and whether funding for GSE regulators should be subject to the Congressional appropriations process.

## HOUSING ISSUES

*Mortgage Finance Reform / Real Estate Settlement Procedures Act.* The Committee may conduct additional hearings on the Department of Housing and Urban Development's (HUD's) proposed Real Estate Settlement Procedures Act (RESPA) rule. On July 29, 2002, HUD published its proposed rule to reform the Real Estate Settlement Procedures Act in the Federal Register (Vol. 67, No. 145) for a 90-day public comment period ending on October 28, 2002. The

proposed rule addresses the issue of loan originator compensation, reforms HUD's Good Faith Estimate (GFE) settlement cost disclosures and removes other regulatory barriers to allow guaranteed packages of settlement services and mortgages offered to consumers. The Committee held a hearing on the proposed RESPA rule on October 3, 2002, and heard testimony from the Secretary of Housing and Urban Development, Mel Martinez. A second hearing on the RESPA rule will allow industry and consumer groups the opportunity to express their views on the proposed rule.

*Annual Budget Review of Housing and Urban Development, Rural Housing Service, National Reinvestment Corporation and the National Flood Insurance Program.* During each session of the 108th Congress, the Committee will conduct a hearing to consider the Administration's proposal for the budget request for the coming fiscal year. The Committee will review and hear testimony from the Administration on those budgets under the jurisdiction of the Housing Subcommittee. Testimony is expected from the Department of Housing and Urban Development, Rural Housing Service, National Reinvestment Corporation and the National Flood Insurance Program.

*Federal Housing Administration.* The Committee may conduct a hearing to review recent increases in Federal Housing Administration (FHA) default rates. HUD insures mortgages and loans made by HUD-approved lenders for a wide variety of purposes, including new construction, rehabilitation, property improvement, and refinancing in connection with a wide variety of types of property. FHA programs include all types of residential property (multifamily, single family, manufactured homes), nonresidential commercial property, hospitals and certain other healthcare facilities. These efforts are designed to encourage lenders to make credit more readily available and at lower rates for various purposes that might otherwise go unmet. Recent reports indicate that the FHA mortgage insurance program is operating with very high delinquency rates. The number of single family FHA loans reported to be delinquent (at least 30 days past due) was 11.62 percent at the end of the 3rd quarter of 2002. The number of FHA loans in the foreclosure process was 2.46 percent. This is compared to a 3.04 percent delinquency rate and 1.15 percent in the foreclosure process for conventional loans at the end of the 3rd quarter of 2001.

*HUD Management Reform and Staffing.* The Committee will conduct a comprehensive review of HUD's management and staffing initiatives implemented in the past five years. Even though GAO has removed HUD's designation as a "high risk" agency (first assigned in 1994) about 70 percent of the agency's programs are still classified by the GAO as at high-risk for waste, fraud, and abuse. Weaknesses continue in HUD's single-family mortgage insurance and rental housing assistance programs. With a significant number of Federal workers scheduled to retire in the next 5 to 10 years, the Committee will investigate the technical and administrative needs of the agency to determine ways to assist the agency in continuing to meet its statutory obligations.

*HOPE VI.* The Committee will conduct a comprehensive review of the HOPE VI program to facilitate a meaningful reauthorization process. The HOPE VI program is a demolition and revitalization program designed specifically to address problems with severely

distressed public housing developments. This program provides incentives for Public Housing Authorities (PHAs) and private entities to form partnerships and create mixed-finance and mixed-income affordable housing. The activities permitted under HOPE VI include, but are not limited to: the capital cost of demolition, major reconstruction, rehabilitation and other physical improvements. As part of its review, the Committee will consider greater access for smaller PHAs. In addition, other reforms and questions will be reviewed by the Committee, such as displacement of existing tenants and the net loss of affordable housing units.

*HUD Related Reauthorizations.* The Committee will review, for appropriate action, expired—and expiring—authorizations relating to HUD.

*Section 8.* The Committee will conduct a comprehensive review of the Section 8 program. There is considerable concern over the rising costs of the Section 8 program, which consumes over 50 percent of the total HUD discretionary budget each fiscal year. Concern has been expressed about unspent Section 8 funds that have accumulated in the reserve accounts of some Public Housing Authorities (PHAs). The Committee's review will include an in-depth look at the formulas used, administrative fees, reserve accounts, HUD's administration of the program, and the consequences of recaptured Section 8 funds.

*Public Housing.* The Committee may conduct a comprehensive review of the Public Housing program, including HUD's implementation of the program, the trends in operating subsidy, capital modernization, the role of the private sector in potential investment and finance of rehabilitation and modernization, and the role of Federal funds in the public housing account to train and employ existing PHA tenants as authorized under section 3 of the Housing and Urban Development Act of 1968.

*Minorities and Homeownership.* The Committee will conduct hearings to review homeownership rates, particularly for underserved markets, e.g., minorities, inner-city neighborhoods, and women. The overall homeownership rate is approximately 68 percent; however, the average homeownership rate for African Americans and Hispanics is in the 40th percentile. The Committee will focus on homeownership disparity in order to fine-tune government policies, practices, and incentives that may preclude successful lending and ownership.

*National Flood Insurance Program.* On January 13, 2003, the President signed legislation to reauthorize the National Flood Insurance Program (NFIP) through December 31, 2003 (Public Law 108-3). This one year reauthorization will allow the Committee to conduct a comprehensive review of the program and to consider changes to make the program more cost effective.

*Rural Housing Service Multifamily Program/Rural Housing Prepayment.* The Committee will review the Rural Housing Service (RHS) multifamily rental programs, specifically housing laws prohibiting prepayment of the debt of government-financed mortgage loans and recent trends in multifamily rural production in the loan guarantee and direct loan programs.

*Community Development Block Grants.* The Committee will review the Community Development Block Grant (CDBG) program

and focus on management and operation of the program, including the timely expenditure of CDBG funds.

*Oversight of the Housing Authority of New Orleans and the Puerto Rico Public Housing Authority.* On June 4, 2001, the Subcommittee on Oversight and Investigations held a hearing on the problems associated with the Housing Authority of New Orleans (HANO). The Committee will continue its review of HANO to determine if HUD's administrative receivership has lead to significant improvements in both HUD's and HANO's management and operation. In addition, the Committee will review measures taken by HUD to correct widespread abuse in contracting and program management uncovered at the Puerto Rico Public Housing Authority, the second-largest public housing authority in the country. In July 2000, HUD's Inspector General wrote to Congress and expressed serious concern with the adequacy of the measures HUD had taken to address the waste and loss of Federal funds by the Puerto Rico Public Housing Authority.

*Oversight of HUD and Rural Housing Service Financial and Information Systems.* The Committee will conduct a comprehensive review of the financial and information systems at HUD and RHS. The lack of timely and comprehensive information continues to hamper both HUD and RHS' ability to monitor the progress of programs and the use of its funds. The delay in the distribution of funds to communities continues to be a source of frustration for State and local governments and non-profit organizations. Over the years, significant funds have been spent to modernize financial and information systems; yet HUD and RHS are still unable to provide pertinent data necessary to monitor and administer the programs under its jurisdiction. The Committee will investigate how best to address this crucial problem.

*Oversight of HUD's Public Housing Assessment System.* The Committee will review HUD's Public Housing Assessment System (PHAS) programs. The promise of the use of technology to streamline the PHAS has yet to be realized. In fact, it is only being used by project-based public housing programs.

*Faith-based Housing Initiatives.* The Committee may conduct an oversight hearing on the participation of faith-based organizations in certain HUD programs. Over the years, Congress has enacted several provisions of law—known as "charitable choice" provisions that are intended to expand the involvement of faith-based groups in the delivery of a variety of the social programs. Congress has not enacted any similar law in the context of housing programs. On December 16, 2002, President Bush issued Executive Order 13279, Equal Protection of the Laws for Faith-Based and Community Organizations, which requires HUD to revise its regulations to implement the President's faith-based initiative. On January 6, 2003, HUD issued proposed regulations, designed to further enhance the participation of faith-based organizations in certain HUD programs. (Participation in HUD Programs by Faith Based Organizations: Providing for Equal Treatment of All HUD Program Participants; Proposed Rule, 68 Federal Register 648, January 6, 2003.)

*Homelessness.* The Committee may conduct hearings on the issue of homelessness, including a an analysis of the estimated number and profile of homeless persons in America, a review of HUD programs which provide housing and services to the homeless, and a

review of the adequacy of those programs and funding levels in addressing the problem of homelessness.

*Housing Production.* The Committee may conduct a hearing or series of hearings on the extent to which the existing housing stock meets the demand for affordable housing by low-income families, seniors, and disabled persons; a review of existing housing programs which are used in the construction or substantial rehabilitation of affordable housing units; and strategies for developing additional affordable housing units.

*Housing Preservation.* The Committee may conduct a hearing on the issue of preservation of federally assisted housing. Issues may include the ongoing impact of Section 8 opt-outs and prepayments on the stock of affordable housing, review of the implementation of the 1997 Mark-to-Market legislation, and review of the implementation of the mark-up-to-market and enhanced vouchers provisions of Title V of the FY 2000 VA-HUD Appropriations bill.

*Fraud in the Housing Industry.* The Committee will examine national and regional incidents of fraud in the housing and mortgage industry, its impact on the housing market and the affordability of mortgages, the response of Federal and State regulators, private financial institutions, and government sponsored enterprises, and the use of appraisals in this type of fraud.

## ECONOMIC DEVELOPMENT

*Development of Economic Opportunities.* The Committee will review economic development programs under the Committee's jurisdiction, including programs administered by the Appalachian Regional Commission, the Economic Development Administration, and the newly created Delta Regional Authority. Reauthorization will be considered when appropriate.

*Reauthorization of the Defense Production Act.* The Committee will review the performance of the Defense Production Act, which expires at the end of the current fiscal year, in preparation for its possible reauthorization.

*Community Development Financial Institutions Fund.* In reviewing the expired authorization of the Community Development Financial Institutions (CDFI) Fund, created in 1994 to promote economic revitalization and community development, the Committee will examine the record of the Fund in implementing reforms pledged in 1997 to eliminate irregularities in the grant making process identified during the course of an investigation by the Subcommittee on General Oversight. The Committee will monitor the CDFI Fund's implementation of the New Markets Tax Credits program, which was part of the Renewable Communities and New Markets initiative enacted into law during the 106th Congress.

*PRIME.* The Committee will examine the implementation of a new microenterprise lending program—the Program for Investment in Microentrepeneurs Act, otherwise known as the PRIME Act—that was included in GLB.

## FEDERAL AGENCIES/AGENCY PROGRAM ISSUES

*Management/Reform of the Federal Reserve System.* The Committee will conduct oversight of the operations of the Federal Reserve System, including the System's management structure, its

role in providing financial services and in handling the clearing of paper checks, as well as its conduct of monetary policy. Special attention will be given to possible consolidation of operations, use of technology, control and oversight mechanisms, budget processes, pay and benefit levels, system-wide strategic planning and issues involving security.

*Federal Reserve's Conduct of Monetary Policy.* The Committee will hold hearings to receive the Chairman of the Federal Reserve Board of Governor's semi-annual reports on the conduct of monetary policy. As part of this effort, the Committee will review issues associated with monetary policy and the state of the economy, such as developments in employment, productivity, and investment.

*Oversight of Agency Management Practices and Outcomes.* The Committee will conduct oversight of the operations of all agencies under its jurisdiction to ensure disclosure of all material assets, liabilities, and costs of operations; to review agencies' measures taken to minimize waste and inefficiency; to assess the impacts of agency actions on the financial services industry; and to determine if the agencies are operating at the most efficient level of resources. The Committee will require the Federal regulators to report on the state of the financial services industry in order to alert Congress to any emerging weaknesses and supervisory measures being taken to counter such weaknesses. The Committee will review, for appropriate action, expired-and expiring-authorizations relating to the agencies.

*Economic Security.* The Committee will explore the need for Federal economic and financial regulators to prepare for and provide a coordinated response to economic events which threaten the Nation's economic security.

## COINS, CURRENCY AND PAYMENT SYSTEM ISSUES

*Management of the Nation's Money: Activities of the Bureau of the Mint and the Bureau of Engraving and Printing.* The Committee will conduct oversight of the activities of these Treasury bureaus as they relate to the printing and striking of U.S. currency and coins, and of the financing and minting of circulating and commemorative coins. The Committee will review the efficiency and productivity of these bureaus' manufacturing operations, as well as the Numismatic Public Enterprise Fund. Technical changes to the authorizing statute for the latter will also be considered. The Committee will conduct oversight of issues relating to the circulation patterns of coins and currency, with an eye towards maximizing their availability and usefulness while minimizing the cost to taxpayers. In particular the Committee will focus on issues relating to the new one-dollar coin, including circulation patterns, U.S. Mint production-allocation decisions, a true unit cost of production for the dollar and other coins, management of the dollar-coin program throughout its life to date, the type and nature of the Mint's expenditures on outside advertising and public relations firms for this and other initiatives. The Committee also will analyze and conduct appropriate oversight related to recent Treasury Office of Inspector General reports relating to the Mint and Bureau of Engraving and Printing covering security, hiring, real-estate use and similar issues, and will consider the need for a U.S. Mint museum in Washington, D.C.

*Electronic Commerce and Payment Systems.* The Committee will continue to assess the domestic and international implications of new innovations in electronic money and electronic payment systems. Among the issues the Committee may examine are soundness, security, privacy, access to new electronic payment methods, eligibility criteria for issuing new payment methods, competing government regulation, threats posed to critical infrastructures such as the payments system, and new-technology methods of authenticating transactions and minimizing fraud.

*Counterfeiting.* The Committee will continue its review of efforts to detect and combat the counterfeiting of U.S. currency in the United States and abroad. Particular attention will be paid to anti-counterfeiting successes by the United States Secret Service, especially in South America, and to ways those efforts can be made even more effective. The Committee will also monitor the migration of the Secret Service from the Treasury department to the new Department of Homeland Security, to ensure that the restructuring will not diminish the service's anti-counterfeiting effectiveness. Also, the Committee will examine the integrity of other countries' currencies, including counterfeiting of those currencies, to monitor any threats posed to the U.S. or world economies, and consider proposals to allow the Bureau of Engraving and Printing to aid other countries in efforts to strengthen the security of their currencies.

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