



TO: Committee Members
FROM: Chairman Johnson
DATE: February 2, 2011
RE: Committee Agenda for 112th Congress

Continued Economic Recovery and Growth

The Committee's top priorities and agenda will be viewed through the lens of continuing to support the economic recovery. Although real output is now growing, the rate of unemployment remains above 9 percent, the housing market remains weak, and output is below potential.

There are three overarching issue areas within the Banking Committee's jurisdiction that will play the greatest part in the Committee's focus on economic recovery and job growth:

- 1) Oversight of Dodd-Frank Wall Street Reform and Consumer Protection Act**
- 2) Housing Finance Reform**
- 3) Oversight of Taxpayer Investments in TARP and Auto Manufacturing**

1. Dodd-Frank Implementation

The effective and timely implementation of the Dodd-Frank Act (Act) will help strengthen the economy by creating certainty for the business community, consumers and investors. Certainty regarding the new rules of the road will bring market participants back to the market and restore consumer and investor confidence.

The Committee's oversight of the Act will seek to assure that (1) the letter and the spirit of the law are being implemented by the regulatory agencies, (2) public comment on rules is being appropriately solicited and considered in light of the legislation, (3) the new law is being enforced, (4) legitimate concerns regarding the Act are considered and (5) regulators have adequate resources to perform their work and are using the resources efficiently.

The Committee will continue to monitor and consider hearings on many Dodd-Frank Act implementation issues, including the following:

a. Consumer Financial Protection Bureau (CFPB) Set-up and Administration

Congress created a strong independent consumer financial protection agency funded through the Federal Reserve System with most of the CFPB's authority becoming effective on July 21, 2011 (the designated transfer date).

Interim administration and authority to set up the CFPB resides with the Treasury Department, specifically with Elizabeth Warren, Special Advisor to the President and Treasury Secretary for the Consumer Financial Protection Bureau.

b. Financial Stability Oversight Council (FSOC), Systemic Risk, and Resolution Authority

The creation of FSOC is one of the primary tools to spot systemic risks in financial institutions and financial markets, and to be able to protect against another systemic crisis. The Dodd-Frank Act requires the FSOC to complete a study with recommendations to the Federal Reserve about heightened supervision and prudential standards for large bank holding companies, and for nonbank financial firms designated by the FSOC. The report is due within two years of the passage of the Act. The Committee may wish to examine the FSOC's recommendations, its designation of nonbank financial companies, and the Federal Reserve's implementation of heightened standards. The Committee will also monitor the set-up of the Office of Financial Research.

c. The "Volcker Rule"

The Act requires that the FSOC produce a report with recommendations for implementation of the "Volcker rule." This report was delivered to Congress on January 18, 2011. The appropriate regulators have 9 months to complete a coordinated rulemaking. The Committee may wish to examine the FSOC recommendations and the regulators' rulemaking.

d. Derivatives

The Act requires significant changes to the regulation of derivatives. The Committee will continue to oversee implementation of Titles VII and VIII by the SEC, CFTC, Federal Reserve and Treasury.

e. Interchange Fees

Pursuant to the Dodd Frank Act, the Federal Reserve proposed a rule regarding the level of permissible interchange fees, networking routing rules and exclusivity arrangements. The comment period ends on February 22, 2011. The final rule on interchange fees is due April 21, 2011 and will become effective on July 21, 2011. The final rule on prohibiting network exclusivity arrangements and debit card transaction routing restrictions is July 21, 2011. The Committee may wish to examine this issue.

f. Securities

Securities law revisions in Titles IV, IX and XV constitute a broad spectrum of securities issues affecting investors, issuers, regulators, private funds, and other market participants.

The following are among the subjects likely to require significant oversight:

- SEC funding and oversight of the effectiveness of the SEC
- Securitization (Title IX, Subtitle D)
- Credit rating agencies (Title IX, Subtitle C)
- State of the municipal securities markets and their regulation.
- Standard of care for securities customers (Section 913)

- Whistleblower program (Sections 922-924)

2. Housing Finance Reform

a. Restructuring of the Housing Finance System & the Government-Sponsored Enterprises (GSEs)

In the 112th Congress, the Committee will start the process of examining the numerous questions arising from the need to restructure the housing finance system, including the government-sponsored enterprises. The statutory and regulatory requirements of the Dodd-Frank Act will begin and inform discussions regarding securitization, risk retention, the definition of a Qualified Residential Mortgage (QRM) and restrictions on mortgage lending. These will also be part of the discussion during housing finance reform. The Committee will undertake a thorough process, including numerous hearings, briefings, and meetings, in an effort to find areas of agreement for possible legislation. The Committee expects to hear from a broad array of parties including the Administration, borrowers, lenders, investors, builders, realtors, housing advocacy groups and others. Based on public comment and discussion, the following issues will be the starting point for Committee consideration:

- The continued availability of affordable, 30-year, fixed-rate, prepayable mortgages;
- Equal access for lenders to the secondary market;
- Equal access for all borrowers and market segments (including rural areas) to the mainstream housing finance system;
- Stable, liquid, and efficient mortgage markets for single family and multifamily housing;
- Improved mortgage servicing procedures, including for loan modifications.

b. Foreclosure Mitigation and Servicing Standards

The Committee will follow up on previous hearings that identified widespread mortgage servicing problems that may be compounding the foreclosure crisis. The Committee will also continue its oversight work to improve foreclosure mitigation efforts conducted through HAMP and private-sector institutions.

c. Federal Housing Administration (FHA) - Mutual Mortgage Insurance (MMI) Program

The core FHA single family insurance program has been a crucial and growing part of the nation's housing finance system since the collapse of the market in 2008. In 2010, FHA served over 1.75 million families, insuring over \$300 billion in single family mortgages. This follows 2009 as the largest volume year in FHA's history.

Despite falling below the required capital ratio, current and future books of business are expected to perform at historically high levels resulting in a greater economic value of the MMI fund. In addition, FHA implemented a series of steps to improve the safety and soundness of the program and tightened its oversight of FHA originators.

The Committee will continue to conduct oversight on the condition of the fund and the role it is playing in the housing market. It will also continue to work with the Department of Housing and Development (HUD) to make sure that HUD has the tools it needs to enforce its rules in order to protect the fund.

3) Oversight of Taxpayer Investments in the Troubled Asset Relief Program (TARP) and Auto Manufacturing

The Committee will remain actively involved in overseeing TARP and U.S. government divestments from TARP recipients. Briefings and hearings with Treasury, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Reserve and others may be held.

As the American auto manufacturers continue to successfully transition from the economic downturn and substantial government investment, the Committee will maintain oversight of the industry's actions, including monitoring the government's exit strategy from the companies.

Potential Action Items with Banking Committee Jurisdiction

In the 112th Congress, the Committee will face a number of issues in addition to those described above. The Committee may hold hearings, may need to consider the reauthorization of expiring programs, and may continue oversight of various important policy matters within the Committee's jurisdiction.

1) Financial Institutions and Consumer Financial Protection

a. Consumer Financial Products and Services

There are a host of consumer issues that require monitoring and oversight. Some of the issues which may warrant hearings, and if necessary legislative action, include:

- Credit cards
- Private student lending
- Prepaid cards
- Mobile payments
- Payday lending
- Overdraft coverage programs
- Refund anticipation loans (RALs)
- Consumer reporting agencies

b. Small Business Lending, Commercial Real Estate, and Attracting Private Capital to Rural and Underserved America

As the Committee focuses on ways to support the economic recovery, it will also look at lending issues that pose challenges to both lenders and the business community, the implementation of the Small Business Lending Fund (SBLF) and other proposals that can enhance business growth and increase jobs. The Committee will also monitor the lending activities in the commercial real estate market, and explore options to attract private capital to rural and underserved areas of our nation.

c. Financial Data Security

The Committee will also continue to focus on issues of financial data security. It is important to ensure that American consumers' personal information and other data is secure. The Committee will also continue to ensure that consumers are appropriately alerted when their data is compromised, and

that financial institutions and the markets are using personal information appropriately. In addition to personal data security, the Committee may also consider protocols and protections that financial institutions and markets use to ensure accurate data transfers during financial transactions.

d. Credit Unions

There are a number of issues that have arisen regarding the credit union industry that the Committee may want to consider. Some of these will be adequately addressed through oversight hearings, while others may require legislative action. These include:

- Continued oversight of NCUA corporate stabilization efforts
- Prompt corrective action (PCA) and net worth standards for credit unions
- Member business lending limits
- Insuring Interest on Lawyers' Trust Accounts at credit unions

g. Diversity within the Financial Services Industry

The Committee will continue to examine the performance of the financial services industry in attracting and retaining a diverse workforce, management personnel and service providers. The Committee will also continue to monitor the establishment of the Office of Women and Minority Inclusion for each of the financial services agencies as required by the Dodd-Frank Act.

2) Transportation, Housing and Community Development

a. Public Transportation and Infrastructure

The current surface transportation bill expired on September 30, 2009. Since then, highway and transit programs have continued operating through numerous extensions, with the current extension running through March 4, 2011. Drafting and passing a new authorization bill is an important priority of this Committee and several hearings on transit issues are expected.

Last year the Committee passed the "Public Transportation Safety Act," which was not considered by the full Senate. The Committee will continue its efforts to advance transit safety legislation in the 112th Congress.

In addition, the Committee will continue its work on an infrastructure bank in the 112th, building on several hearings held in the 110th and 111th Congresses.

b. Rental Housing Assistance

The Committee may consider the Section Eight Voucher Reform Act (SEVRA), which includes proposals to streamline and improve the Section 8 rental housing voucher program.

c. Preserving Affordable Housing Assets

The Committee may conduct hearings and consider legislation on issues confronting federal rental assistance programs, including the need to preserve or replace affordable public and project-based housing that will soon be lost through expiring assistance contracts or physical obsolescence.

d. Native American Housing

The Committee will follow up on the issues and solutions identified in last Congress' hearing on "Innovative Solutions to Addressing Housing Needs in Our Indian Communities."

e. Livable Communities Act

The Committee expects to continue its work on legislation to assist local communities' efforts to maximize their existing infrastructure, preserve agricultural lands, lower combined housing and transportation costs for families, and build more energy-efficient futures.

3) Securities

Securities has been a major issue in the Committee's jurisdiction. In recent years, the Committee has passed landmark legislation amending securities laws, in response to the failures of investment banks, poor quality of asset-backed securities, inaccurate ratings issued by credit rating agencies, undetected frauds such as the Madoff and Stanford Ponzi schemes, accounting scandals at firms such as Enron and WorldCom, and other problems.

a. Market structure

The Committee will continue to oversee market structure issues. The Committee through the Subcommittee has held hearings on developments involving trading in dark pools of liquidity, sponsored access to exchanges, co-locations and high frequency trading and regulatory responses. For example, in May 2010, it conducted a hearing with the SEC and CFTC Chairmen testifying about the "Flash Crash" that occurred on May 6, 2010, when the value of the Dow Jones Industrial Average dropped by more than 600 point and within minutes recovered almost totally.

b. Accounting

Complex accounting issues and developments warrant periodic Committee oversight. The Financial Accounting Standards Board and the International Accounting Standards Board have been working toward convergence of accounting standards for several years. They are currently working on projects involving revenue recognition, accounting for lease contracts, improved accounting for financial instruments, and other areas. The SEC in December 2010 appointed three new members of the Public Company Accounting Oversight Board, which oversees auditors of public companies, which may affect its policies. The Act exempted smaller public companies from the requirement to have auditors attest to internal controls from the Sarbanes Oxley Act and required study of further expansion.

c. Covered Bonds

Covered bonds are securities backed by assets, such as mortgages, that give the investor, in case of a default, recourse against both the issuer of the security and the underlying assets. They are widely used in Europe but have had a slow start in the United States, as some have argued, due to legislative and regulatory uncertainty. The advocates of covered bonds legislation have argued that an active covered bonds market in the United States would supplement the other capital financing means, such as securitization and GSE-backed financing. Last September, the Committee held a hearing on covered bonds. It will continue to monitor regulatory developments relating to covered bonds in the context of housing finance.

4) Insurance

As the Committee conducts oversight of the Dodd-Frank Act, issues affecting insurance regulations will remain a priority. As the new Federal Insurance Office (FIO) is stood up, the Committee will monitor its work. In particular, the first report from the FIO on the insurance industry is due this year, which will provide the Committee useful information as it considers any legislation at the federal level.

a. Flood Insurance

The National Flood Insurance Program (NFIP) will need to be reauthorized by September 30, 2011. The Committee held an NFIP reauthorization hearing late in the 111th Congress.

5) International Trade, Finance, and Economic Security

a. Export Import Bank

The Banking Committee has jurisdiction over the Export-Import Bank of the United States (Ex-Im). Ex-Im is the official export credit agency of the United States. Its mission is to assist in financing the export of US goods and services to international markets. It enables American companies — large and small — to turn export opportunities into real sales that help to maintain and create American jobs. Its charter is up for reauthorization this year. The Committee may hold a hearing on the reauthorization, which could provide an opportunity to conduct oversight of Ex-Im's operations and goals.

b. Export Administration Act Re-authorization

The Export Administration Act (EAA) expired September 2001 and is currently operating through executive orders. The Administration has initiated a review of current export control policies and is expected to push forth legislative proposals when this review is completed. The Committee may wish to hold hearings to review this effort and develop legislation of its own.

c. Export Promotion

Given the Administration's serious commitment to doubling US exports by 2015, the Committee may decide to hold a hearing (or series of hearings and briefings) on this issue, bringing together stakeholders from industry as well as export promotion agencies. The Committee may also look at ways to improve the efficiency of our export promotion efforts and reduce redundancies. The hearing(s) would also provide an opportunity to highlight the importance of having a level playing field with regard to international trade of agricultural products.

d. Industrial Policy

As the Administration seeks to increase exports and strengthen the manufacturing base of the country, the Committee, with jurisdiction over the Defense Production Act and export promotion authority, may wish to conduct hearings on this subject.

e. Foreign Investment

Foreign investments within the US continue to expand and diversify. The Committee may wish to hold oversight hearings regarding the Committee on Foreign Investment in the United States (CFIUS) when appropriate.

f. Iran Sanctions

The Committee will continue appropriate oversight of ongoing State and Treasury Department rulemaking, implementation and enforcement of CISADA (Comprehensive Iran Sanctions and Divestment Act of 2010), and any additional steps that may be necessary to strengthen US Policy in this area, in concert with the Foreign Relations Committee, and depending on the state of negotiations on Iran's nuclear program.

g. Belarus Sanctions

The Committee might assess economic sanctions legislation expected to be introduced to address recent post-election Lukashenko crackdown on dissidents. This could include expanding current travel restrictions, the existing asset freeze against Belarusian officials, as well as other sanctions.

h. Sudan

The Committee will continue oversight and implementation of the Sudan Accountability and Divestment Act (SADA), as additional states enact legislation to conform to SADA.

i. Bank Secrecy Act/PATRIOT Act/AML/Terrorist Financing Oversight

The Committee may want to continue to assess off-shore banking issues and current federal AML efforts, including money service businesses/Hawalas, the recent problem of foreign missions unable to bank in the United States, the current state of terrorist financing countermeasures a decade after 9-11, and other related issues.

j. Congo Conflict Minerals

The Committee will engage in Dodd-Frank Act oversight of the Congo Conflict Minerals Act rulemaking, implementation and enforcement, which has garnered attention from a range of industry and non-profit stakeholders in the US and abroad.

k. Extractive Industries Transparency

The Dodd-Frank Act requires ongoing oversight of SEC rulemaking and enforcement.

l. International Monetary Fund (IMF) Reform and Sovereign Debt Crisis

The Senate Banking, Foreign Relations and Appropriations Committees authorized the United States to increase its financial contribution to the International Monetary Fund in 2009. The funding was primarily intended to address debt crises in European countries and to provide Congress with additional tools to monitor the IMF's governance and loan policies. The Committee will continue to oversee progress at the IMF, through hearings and briefings and through seminars during the annual IMF/WB Spring and Fall meetings.

m. G20 and Basel

The G20 and Basel Committees have served as the primary vehicles for cross-border regulatory cooperation since the 2008 crisis. The Dodd-Frank Act includes every principle stated in the G20 leaders' statements. However, the new G20 presidency, under the French government, has communicated the possibility of going further on commodities trading, financial speculation, and exchange rate oversight. The Committee will continue to hold hearings and briefings to ensure regulatory reform is implemented in an internationally cohesive fashion.

Nominations

Below is a list of the entities with positions that require confirmation by the Committee with brief descriptions of issues facing specific confirmations and the nominations expected in the 112th Congress.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Committee confirms the Secretary; Deputy Secretary; 9 Assistant Secretaries; the General Counsel; Chief Financial Officer; Inspector General; and President of the Government National Mortgage Association, all of whom serve at the pleasure of the President.

Expected in 112th Congress:

- Assistant Secretary for Public Affairs

FEDERAL RESERVE SYSTEM

The Committee currently confirms all 7 Governors for 14-year terms, including 4-year terms for the Chairman and Vice Chairman (Designation of Board members as Chair and Vice Chair requires separate nomination and vote). Currently there is 1 Governor position awaiting a confirmed nominee. The Committee reported out Peter Diamond for the remaining open position twice, but both times he was sent back to the President because the Senate did not act within the allotted time. The President has again nominated Mr. Diamond for the position in the 112th Congress.

Expected for 112th Congress:

- One Governor for which the President has nominated Peter Diamond

CONSUMER FINANCIAL PROTECTION BUREAU

The Dodd-Frank Act creates the CFPB within the Federal Reserve. The CFPB is to be headed by a Director nominated by the President for a term of 5 years. The designated transfer date for CFPB powers is July 21, 2011.

Expected for 112th Congress:

- One Director

COUNCIL OF ECONOMIC ADVISORS

The Committee confirms 3 Members to serve at the pleasure of the President. The Chairman is designated by the President. Christina Romer resigned from her Chairman position on the Council and the President subsequently designated Austin Goolsbee as Chair (Mr. Goolsbee was already a member of the Council and the Senate did not need to act to promote him to Chair).

Expected for 112th Congress:

- One Member for which the President nominated Katharine Abraham

SECURITIES AND EXCHANGE COMMISSION

The Committee confirms 5 Commissioners for 5-year terms. The Chairman is designated by the President from among the Commissioners and his/her term as Chairman is not defined. (Chairmanship can be designated to any member at any time by the President). Commissioner Kathleen Casey's term expires June 5, 2011.

Expected for 112th Congress:

- One Commissioner

DEPARTMENT OF THE TREASURY

The Committee confirms 4 Assistant Secretaries and 1 Inspector General who serve at the pleasure of the President. The Committee also confirms the Director of the Mint; the Director of the Office of Thrift Supervision and the Comptroller of the Currency for 5-year terms. The Committee will no longer be responsible for confirming the Director of the Office of Thrift Supervision once the agency is merged with the OCC as directed by the Dodd-Frank Act. The Dodd-Frank Act also creates the Office of Financial Research, for which the Committee must confirm a Director for a 6-year term.

Expected for 112th Congress:

- Director of the Office of Financial Research
- Director of the Office of the Comptroller of the Currency
- Director of the Mint
- Administrator of the Community Development Financial Institutions Fund

DEPARTMENT OF COMMERCE

The Committee confirms 2 Under Secretaries and 3 Assistant Secretaries, all of whom serve at the pleasure of the President. The President recess-appointed Eric Hirschhorn as the Under Secretary of Export Administration. This appointment will last to the end of 2011 and the President has already re-nominated Hirschhorn for the 112th Congress.

Expected in 112th Congress:

- Under Secretary of Export Administration for which the President has nominated Eric Hirschhorn

FEDERAL HOUSING FINANCE AGENCY

The Committee confirms the Director for a 5-year term and an Inspector General who serves at the pleasure of the President.

Expected for 112th Congress:

- No nominations currently anticipated

FEDERAL DEPOSIT INSURANCE CORPORATION

The Committee confirms a Chairman, 2 Directors and the Inspector General for the FDIC. The Chairmanship is separately confirmed with a 5-year term. All Directors serve 6-year terms. The Vice Chairman is designated by the President (not separately confirmed). Chairman Bair's term as Chair expires in July, 2011 and she has said that she expects to leave around that time. The Dodd-Frank Act added the Consumer Financial Protection Bureau's director to the board. Also, one board member must have state regulatory experience. Meanwhile, the term of Tom Curry, an FDIC director who is a registered independent, already expired in January, 2010.

Expected in the 112th Congress:

- Chairman
- One Board Member

NATIONAL CREDIT UNION ADMINISTRATION

The Committee confirms 3 Board Members to 6-year terms. The Chairman is designated by the President from among the current Directors. Board Member Christiane Gigi Hyland's term expires August 2, 2011.

Expected for 112th Congress:

- One Board Member

FEDERAL TRANSIT ADMINISTRATION

The Committee confirms an Administrator who serves at the pleasure of the President.

Expected for 112th Congress:

- No nominations currently anticipated

EXPORT-IMPORT BANK OF THE UNITED STATES

The Committee confirms 5 full-time board members, one of whom will serve as President & Chairman and another as First Vice President. All Board members serve 4-year terms and can stay on for an additional 6 months. The Committee also confirms an Inspector General for Ex-Im Bank who serves at the pleasure of the President. There are currently 2 vacancies on the Board, one of whom will also serve as First Vice President and Vice Chair. Also, the term of Board Member Bijan Kian expired January 20, 2011. Expected in 112th Congress:

- Two Board Members
- One Member and First Vice President / Vice Chair

SECURITIES INVESTOR PROTECTION CORPORATION

The Committee confirms 5 of the 7 members of the Board, including a Chairman, to serve 3-year terms. The Chairman serves in a full-time capacity and the other 6 Members serve part-time. Three of the five Senate-confirmed members represent the securities industry and two are from the general public. The Chairman and the Vice Chairman are designated by the President from the public directors. All members can continue to serve beyond term until replaced, as three members currently are.

Expected for 112th Congress:

- No nominations currently anticipated

NATIONAL COOPERATIVE BANK

The Committee confirms 3 Board Members for 3-year terms. Members can continue to serve beyond term until replaced. There is currently one vacancy on the Board.

Expected in 112th Congress:

- One Board Member

NATIONAL INSTITUTE OF BUILDING SCIENCES

The Committee confirms 6 members for 3-year terms. All members are currently serving beyond their terms at the pleasure of the President.

Expected for 112th Congress:

- No nominations currently anticipated