House Financial Services Committee
Congressman Randy Neugebauer Opening Statement
July 10, 2008

I appreciate Chairman Frank organizing hearings on regulation in our financial markets.

With the current challenges and rapidly changing situation in our nation's credit markets, the actions taken by the Fed and Treasury in response must be measured and within the scope of their authorities. Their actions earlier this year to facilitate the sale of Bear Stearns and the Fed's use of its emergency lending authority concern me. So too do proposals to significantly change our financial services regulatory structure.

I don't disagree that modernization in financial services regulation is needed. My concern, however, rises from the tendency of Congress and federal agencies to over-reach and over-regulate. Markets are not always without risk, and elimination of risk is not the government's responsibility.

A federal regulator that can protect our economy from systemic risk is big request. We must ensure that government does not provide a false sense of security to the marketplace. Regulatory modernization and oversight cannot and should not insulate investors, lenders, and borrowers from due diligence in their decision making. Markets are efficient when it comes to discipline.

Our committee had much discussion on systemic risk when we worked on GSE regulatory reform legislation, and I also had the opportunity to discuss systemic risk with Secretary Paulson in that context. With all the debate about the systemic risks posed by Fannie Mae and Freddie Mac, other sources such as investment banks and subprime lenders have caused significant disruptions in our financial markets. In contrast, the GSEs have been the primary source of mortgage liquidity in many areas of the country.

Certainly our economy faces systemic risks from many sources. While empowering a federal regulator with the authority to determine those risks before harm can take place sounds reasonable, all of the effects may not be positive. We must ensure actors in the marketplace do not assume such a regulator protects them from harm or from poor decision making. Most importantly, the American taxpayer should not be held responsible through a government bailout for decisions made by those waiting for a regulator to put a stop to their actions rather than responding to market disciplines. I look forward to further discussion and debate on the best way to update financial regulation.