

Speaking from personal experience, I actually weathered the last time we went through this. Many of my colleagues in the real estate business did not. The fact of the matter is, it was a wholesale winnowing of the real estate business in California and it took us years to recover. My colleagues, increasing the deposit insurance coverage limit will lead to a potential for repeating that.

California leads this country's economy up and down. If we increase the risk to the insurance fund by placing on our bankers the requirement to put more money to work in a quick or hasty fashion, we are going to replay the nightmare of the early 1980s and pay billions more the next time this occurs. This body does not need to fund additional billion dollar bailouts.

I am in favor of 90 percent of this bill. There are good things in this bill. But when we look at the hands of Lady Justice balancing, in her case justice, in this case we are talking about the security and sanctity of the economy and deposits across this country, if we look at how that is balanced, in Lady Justice's case her hands are even. In the case of today's bill, the increase in deposit insurance skews that balance. We do not need to do this, my colleagues. This is unnecessary.

Unfortunately, I am forced to go against my chairman, and I ask my colleagues to oppose this bill in its current form.

Mr. Speaker, how much time do I have remaining?

The SPEAKER pro tempore. The gentleman from California has 45 seconds remaining.

Mr. OSE. Mr. Speaker, I yield the balance of my time to the gentleman from Alabama (Mr. BACHUS).

Mr. BACHUS. Mr. Speaker, I thank the gentleman for yielding me this time, and let me just close by saying that there has been a rapid insurance deposit growth. In other words, people are putting a lot of money in accounts, in 2 or 3 financial institutions in this country, which have gone out and bought multiple subsidiaries and are advertising \$500,000, \$600,000, and \$700,000 worth of coverage.

Now, where is that money coming from, those hundreds of millions of dollars? It is coming from community banks in small towns and mainstream banks. People ought to have an option not to put that money in a Wall Street financial institution. A small business that has \$300,000 or \$400,000 deposited, they ought to have the option of putting that in their hometown bank.

We talk about \$100,000. Yes, \$10,000 may be the average account, but there are a lot of small businesses in this country that maintain one bank account in their local bank. They ought to have more coverage.

Mr. BENTSEN. Mr. Speaker, I rise today in strong support of H.R. 3717, the Federal Deposit Insurance Reform Act of 2002, legislation that will reform our federal deposit insurance programs. As a member of the Financial Serv-

ices Committee, I am pleased that the House of Representatives is now acting to consider this legislation.

H.R. 3717 would combine the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) into one insurance fund. This legislation would also permit the Federal Deposit Insurance Fund greater flexibility in setting the designated reserve ratio (DRR). Under current law, the BIF and SAIF have target DRR ratios of 1.25 percent. Today, both the BIF and SAIF have DRR levels which are higher than this target rate with the DRR for BIF at 1.26 percent and the DRR for SAIF at 1.37 percent. I believe another important part of this bill would allow the FDIC to set the DRR between the range of 1.15 percent to 1.4 percent in order to ensure that the new insurance fund is counter cyclical and avoid sharp rate swings. When the insurance fund is in distress under current law, it is likely that premiums would be increased on those institutions which may be facing increased costs and financial pressures. By charging premiums when institutions are healthy, they will be better prepared to deal with any unforeseen financial hardships.

Finally, this bill increases the maximum deposit insurance coverage for an individual from \$100,000 to \$130,000. I believe that this higher insurance coverage is long overdue. The deposit insurance coverage limit has not been changed since 1980. I believe that this higher coverage will help smaller financial institutions to compete for customers. Another important provision in this bill would permit consumers to get insurance coverage of \$260,000 for their Individual Retirement Accounts (IRAs). In this time when we are working to encourage consumers to save for their futures, I believe that this higher IRA coverage will ensure that consumers have several options for where to keep their IRAs.

I am also pleased that this legislation includes a provision to increase the number of "lifeline" accounts for underserved consumers. This provision is based upon an amendment offered by Rep. MAXINE WATERS (D-CA) to ensure that the underserved consumers have access to low-cost accounts. Many poor elderly do not currently have checking accounts and may be able to use this lifeline accounts to receive electronic transfers of their social security and other direct deposits.

I urge my colleagues to support H.R. 3717, legislation to improve our federal deposit insurance program.

Mrs. ROUKEMA. I rise in strong support of HR 3717, the Federal Deposit Insurance Reform Act of 2002. This is an important bill and I want to commend the Chairman OXLEY of the Full Committee and Chairman BACHUS of the Subcommittee for pushing this bill forward. This is the most opportune time for Congress to implement these changes—when the industry is still strong and healthy.

There is no doubt that the passage of Gramm-Leach-Bliley created a brave new financial world—with new challenges for the regulators and our deposit insurance fund. This legislation makes adjustments that will not only enhance the safety and soundness of the entire financial service industry by preserving the value of insured deposits, advancing the national priority of enhancing retirement savings for all Americans, and ensuring that the value, benefit and cost of deposit insurance is fair to consumers and institutions alike.

Many of the provisions in HR 3717 are provisions that I have long supported. In fact, I introduced legislation including many of these provisions in the last Congress. For example, HR 3717 merges the two insurance funds. Merging the funds will create a more stable, actuarially strong insurance fund, and reduce the risk of fund insolvency.

Second, the bill increases the standard maximum deposit insurance limit from \$100,000 to \$130,000 and indexes future coverage limits to inflation. The \$100,000 coverage limit was set in 1980 and it is time to increase that coverage for consumers. In addition, Federal Credit Unions are provided with parity in general standard maximum deposit insurance coverage, coverage for retirement accounts and municipal deposits.

This bill provides double coverage limits for certain types of IRAs & 401(k)s—up to \$260,000. Finally, this bill provides rebates requiring that 1/2 of the excess funds be returned to banks when the DRR is above 1.35 percent, and all of the excess reserves when the DRR reaches 1.4 percent. With the current fund balances, much above the 1.2 designated reserve ratio, certainly this is appropriate.

This is important legislation that deserves our support. The Federal Deposit Insurance Fund has served this Nation well for the last 68 years—public confidence and stability in the Nation's banking system were preserved through one of the largest banking crises—the 1980 Savings and Loan crisis. HR 3717 makes the necessary changes that will protect not only depositors but our financial system in times of crisis.

Mr. PAUL. Mr. Speaker, H.R. 3717, the Federal Deposit Insurance Reform Act, expands the federal government's unconstitutional control over the financial services industry and raises taxes on all financial institutions. Furthermore, this legislation could increase the possibility of future bank failures. Therefore, I must oppose this bill.

I primarily object to the provisions in H.R. 3717 which may increase the premiums assessed on participating financial institutions. These "premiums," which are actually taxes, are the premier sources of funds for the Deposit Insurance Fund. This fund is used to bail out banks who experience difficulties meeting their commitments to their depositors. Thus, the deposit insurance system transfers liability for poor management decisions from those who made the decisions, to their competitors. This system punishes those financial institutions which follow sound practices, as they are forced to absorb the losses of their competitors. This also compounds the moral hazard problem created whenever government socializes business losses.

In the event of a severe banking crisis, Congress will likely transfer funds from the general revenue into the Deposit Insurance Fund, which could make all taxpayers liable for the mistakes of a few. Of course, such a bailout would require separate authorization from Congress, but can anyone imagine Congress saying "No" to banking lobbyists pleading for relief from the costs of bailing out their weaker competitors?

Government subsidies lead to government control, as regulations are imposed on the recipients of the subsidies in order to address the moral hazard problem. This is certainly the case in banking, which is one of the most

heavily regulated industries in America. However, as George Kaufman, the John Smith Professor of Banking and Finance at Loyola University in Chicago, and co-chair of the Shadow Financial Regulatory Committee, pointed out in a study for the CATO Institutes, the FDIC's history of poor management exacerbated the banking crisis of the eighties and nineties. Professor Kaufman properly identifies a key reason for the FDIC's poor track record in protecting individual depositors: regulators have incentives to downplay or even cover-up problems in the financial system such as banking facilities. Banking failures are black marks on the regulators' records. In addition, regulators may be subject to political pressure to delay imposing sanctions on failing institutions, thus increasing the magnitude of the loss.

Immediately after a problem in the banking industry comes to light, the media and Congress will inevitably blame it on regulators who were "asleep at the switch." Yet, most politicians continue to believe that giving the very regulators whose incompetence (or worst) either caused or contributed to the problem will somehow prevent future crises!

The presence of deposit insurance and government regulations removes incentives for individuals to act on their own to protect their deposits or even inquire as to the health of their financial institutions. After all, why should individuals be concerned with the health of their financial institutions when the federal government is insuring banks following sound practices and has insured their deposits?

Finally, I would remind my colleagues that the federal deposit insurance program lacks constitutional authority. Congress' only mandate in the area of money, and banking is to maintain the value of the money. Unfortunately, Congress abdicated its responsibility over monetary policy with the passage of the Federal Reserve Act of 1913, which allows the federal government to erode the value of the currency at the will of the central bank. Congress' embrace of fiat money is directly responsible for the instability in the banking system that created the justification for deposit insurance.

In conclusion, Mr. Speaker, H.R. 3717 imposes new taxes on financial institutions, forces sound institutions to pay for the mistakes of their reckless competitors, increases the chances of taxpayers being forced to bail out unsound financial institutions, reduces individual depositors' incentives to take action to protect their deposits, and exceeds Congress's constitutional authority. I therefore urge my colleagues to reject this bill. Instead of extending this federal program, Congress should work to prevent the crises which justify government programs like deposit insurance, by fulfilling our constitutional responsibility to pursue sound monetary policies.

Mr. NEY. Mr. Speaker, I rise in support of H.R. 3717, the "Federal Deposit Insurance Reform Act of 2002."

I want to commend my colleagues, MIKE OXLEY, the chairman of the House Financial Services Committee and SPENCER BACHUS, the chairman of the House Financial Institutions Subcommittee, for crafting sound legislation to improve the federal deposit insurance system. This bill will reform the FDIC so that it can continue to provide the stability that Americans have depended on for years.

Last year, I introduced H.R. 1293, the "Deposit Insurance Stabilization Act." This bipar-

tisan piece of legislation addressed three of the most pressing needs of the deposit insurance system. My legislation merged the Bank Insurance Fund and the Savings Association Insurance Fund into a single sounder deposit insurance fund. My legislation also eliminated the 23 basis point cliff facing FDIC-insured institutions if the deposit insurance fund were required by law to be recapitalized. I am pleased that both of these provisions are included in the bill before us today.

My legislation included a third important component, commonly referred to as the "free rider" provision. This provision would give the FDIC statutory authority to assess a special premium on any insured institution with excessive net deposit growth. It was drafted to address the possible dilution of the deposit insurance fund by a handful of institutions. It was not meant to serve as a penalty or impediment to legitimate growth, but rather as an equitable to ensure that the cost of doing the business of deposit insurance is borne by those who benefit from that business.

I was pleased that the Ney free rider provision was included as part of this bill, as reported by the Financial Services Committee. It represented a good faith effort to fairly resolve a problem first brought to my attention by bankers in my state and across the country.

Unfortunately, because of the controversy it generated, this provision is not part of the managers' amendment before us today. While other provisions of the managers' amendment address the free rider problem, the absence of statutory authority for the FDIC to deal with prospective free riding could remain a problem. I am anxious to work with my colleagues in Congress and organizations like America's Community Bankers to adequately address this problem as this bill moves forward.

Again, I would like to commend the sponsors of this bill for addressing the challenges facing the federal deposit insurance system, and urge my colleagues to support this bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Alabama (Mr. BACHUS) that the House suspend the rules and pass the bill, H.R. 3717, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have not voted in the affirmative.

Mr. BACHUS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

CONFERENCE REPORT ON H.R. 3448, PUBLIC HEALTH SECURITY AND BIOTERRORISM PREPAREDNESS AND RESPONSE ACT OF 2002

Mr. TAUZIN (during consideration of H.R. 3717) submitted the following conference report and statement on the bill (H.R. 3448) to improve the ability of the United States to prevent, prepare for, and respond to bioterrorism and other public health emergencies.

See pages H2691 of the RECORD of May 21, 2002

PAYING TRIBUTE TO WORKERS IN NEW YORK CITY FOR RESCUE, RECOVERY, AND CLEAN-UP EFFORTS AT SITE OF WORLD TRADE CENTER

Mr. OSE. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 424) paying tribute to the workers in New York City for their rescue, recovery, and clean-up efforts at the site of the World Trade Center.

The Clerk read as follows:

H. RES. 424

Whereas on September 11, 2001, terrorists hijacked four civilian aircraft, crashing two of them into the towers of the World Trade Center in New York City;

Whereas these attacks were by far the deadliest terrorist attacks ever launched against the United States, claiming the lives of more than 3,000 innocent people;

Whereas in the aftermath of the attacks, without showing any hesitation, public safety officers, steel workers, electricians, construction workers, and thousands of skilled workers and volunteers spent endless days and nights, many without sleep for over 36 hours, risking their own lives to assist in the search for and rescue of anyone that might have survived the devastation at the site of the World Trade Center, which has come to be known as "Ground Zero";

Whereas the resolve of our nation was strengthened by the courage of the thousands of brave rescue and recovery workers who used their own hands in the hours and days after September 11th to this day to remove rubble from the site to locate those trapped and buried beneath the debris of the World Trade Center;

Whereas these workers inspired the American people with their extraordinary bravery and heroism, often risking their own life and limb to help find the remains of those who perished on September 11th;

Whereas many rescue and recovery workers were not just searching for a stranger but rather their lost son, daughter, aunt, uncle, brother, sister, husband, wife, mother, father, lifelong friend, or co-worker; each of these workers were helping to clear the debris just hoping to come across any one of their loved ones;

Whereas people, not only in New York but across the nation, worked to supply Ground Zero workers with such things as food and water, clothing, and medical supplies, surmounted numerous challenges and difficulties in securing and distributing these goods, and made it happen within hours and continuing still today, never once looked at how difficult it might be to get supplies, but rather went out and did whatever it took to ensure that the needs for those supplies were met;

Whereas local businesses, churches, and citizens opened their doors to police, fire, and other workers with places to sleep, eat, or even simply pray;

Whereas the selflessness displayed by the rescue and recovery workers helped unify our nation, bringing together good people to demonstrate to the forces of terror that good would triumph over evil;

Whereas all involved in the efforts at Ground Zero were working unselfishly beyond the point of exhaustion without regard for food, water, or sleep, simply to save and recover anyone and everyone possible; and

Whereas the recovery effort will conclude after more than nine months of hard work, removing over 1.6 million tons of debris while at the same time taking great care to collect all victims' remains, thereby allowing more than 1,000 families to lay their loved ones to rest: Now, therefore, be it