

jobs we need to move the economy forward.

I urge my colleagues to support this legislation.

I yield back the balance of my time.

Mr. HANNA. Mr. Speaker, in closing, let me state that small businesses can and will lead our economic recovery. It's time that those of us in Congress provide them with the certainty they need to create jobs and grow our economy. The legislation we have before us today gives small firms the confidence to know that the SBA programs they rely on will be there for them when they need them. It also shows them that this House is serious about cutting spending, lowering debt, and restoring confidence to our entrepreneurs.

I look forward to continuing to work with the chairman and the ranking member and all our colleagues on the Small Business Committee to enact policies that benefit American entrepreneurs.

I urge my colleagues to support this good bill.

I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New York (Mr. HANNA) that the House suspend the rules and pass the bill, H.R. 2608, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### IMPACT OF INSURED DEPOSITORY INSTITUTION FAILURES

Mr. WESTMORELAND. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2056) to instruct the Inspector General of the Federal Deposit Insurance Corporation to study the impact of insured depository institution failures, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2056

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. INSPECTOR GENERAL STUDY.

(a) STUDY.—The Inspector General of the Federal Deposit Insurance Corporation (FDIC) shall conduct a comprehensive study on the impact of the failure of insured depository institutions.

(b) DEFINITIONS.—For purposes of this Act—

(1) the term “insured depository institution” has the meaning given such term in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c));

(2) the term “private equity company” has the meaning given the terms “hedge fund” and “private equity fund” in section 13(h)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1851(h)(2)); and

(3) the term “paper-loss” means any write down on a performing asset held by an insured depository institution that causes such institution to raise more capital in order to cover the write down.

(c) MATTERS TO BE STUDIED.—In conducting the study under this section, the Inspector General shall address the following:

(1) LOSS-SHARING AGREEMENTS.—The effect of loss-sharing agreements (LSAs), including—

(A) the impact of loss-sharing on the insured depository institutions that survive and the borrowers of insured depository institutions that fail, including—

(i) the impact on the rate of loan modifications and adjustments;

(ii) whether more types of loans (such as commercial (including land development and 1- to 4-family residential and commercial construction loans), residential, or small business loans) could be modified with fewer LSAs, or if LSAs could be phased out altogether;

(iii) the FDIC's policies and procedures for monitoring LSAs, including those designed to ensure institutions are not imprudently selling assets at a depressed value;

(iv) the impact on the availability of credit; and

(v) the impact on loans with participation agreements outstanding with other insured depository institutions;

(B) the FDIC's policies and procedures for terminating LSAs and mitigating the risk of acquiring institutions having substantial assets remaining in their portfolio when the LSAs are due to expire;

(C) the extent to which LSAs provide incentives for loan modifications and other means of increasing the probability of commercial assets being considered “performing”;

(D) the nature and extent of differences for modifying residential assets and working out commercial real estate under LSAs; and

(E) methods of ensuring the orderly end of expiring LSAs to prevent any adverse impact on borrowing, real estate industry and the Depositors Insurance Fund.

(2) PAPER LOSSES.—The significance of paper losses, including—

(A) the number of insured depository institutions that have been placed into receivership or conservatorship due to paper losses;

(B) the impact on paper losses of raising more capital;

(C) the effect of changes in the application of the fair value of real estate accounting rules and other accounting standards;

(D) whether field examiners are using proper appraisal procedures with respect to paper losses; and

(E) methods of stopping the vicious downward spiral of losses and write downs.

(3) APPRAISALS.—

(A) The number of insured depository institutions placed into receivership or conservatorship due to asset write-downs and the policies and procedures for evaluating the adequacy of an insured depository institution's allowance for loan and lease losses.

(B) The policies and procedures examiners use for evaluating the appraised values of property securing real estate loans and the extent to which those policies and procedures are followed.

(C) FDIC field examiner implementation of guidance issued December 2, 2010, titled “Agencies Issue Final Appraisal and Evaluation Guidelines”.

(4) CAPITAL.—

(A) The factors that examiners use to assess the adequacy of capital at insured depository institutions, including the extent to which the quality and risk profile of the insured institution's loan portfolio is considered in the examiners' assessment.

(B) The number of applications received by the FDIC from private capital investors to acquire insured depository institutions in receivership, the factors used by the FDIC in evaluating the applications, and the number

of applications that have been approved or not approved, including the reasons pertaining thereto.

(C) The policies and procedures associated with the evaluation of potential private investments in insured depository institutions and the extent to which those policies and procedures are followed.

(5) WORKOUTS.—The success of FDIC field examiners in implementing FDIC guidelines titled “Policy Statement on Prudent Commercial Real Estate Loan Workouts” (October 31, 2009) regarding workouts of commercial real estate, including—

(A) whether field examiners are using the correct appraisals; and

(B) whether there is any difference in implementation between residential workouts and commercial (including land development and 1- to 4-family residential and commercial construction loans) workouts.

(6) ORDERS.—The application and impact of consent orders and cease and desist orders, including—

(A) whether such orders have been applied uniformly and fairly across all insured depository institutions;

(B) the reasons for failing to apply such orders uniformly and fairly when such failure occurs;

(C) the impact of such orders on the ability of insured depository institutions to raise capital;

(D) the impact of such orders on the ability of insured depository institutions to extend or modify credit to existing and new borrowers; and

(E) whether individual insured depository institutions have improved enough to have such orders removed.

(7) FDIC POLICY.—The application and impact of FDIC policies, including—

(A) the impact of FDIC policies on the investment in insured depository institutions, especially in States where more than 10 such institutions have failed since 2008;

(B) whether the FDIC fairly and consistently applies capital standards when an insured depository institution is successful in raising private capital; and

(C) whether the FDIC steers potential investors away from insured depository institutions that may be in danger of being placed in receivership or conservatorship.

(8) PRIVATE EQUITY COMPANIES.—The FDIC's handling of potential investment from private equity companies in insured depository institutions, including—

(A) the number of insured depository institutions that have been approved to receive private equity investment by the FDIC;

(B) the number of insured depository institutions that have been rejected from receiving private equity investment by the FDIC; and

(C) the reasons for rejection of private equity investment when such rejection occurs.

(d) REPORT.—Not later than one year after the date of the enactment of this Act, the Inspector General shall submit to Congress a report—

(1) on the results of the study conducted pursuant to this section; and

(2) any recommendations based on such study.

(e) COORDINATION BETWEEN FDIC IG, TREASURY IG, AND FEDERAL RESERVE IG.—In carrying out this section, the Inspector General of the FDIC shall consult with the Inspectors General of the Treasury and of the Federal Reserve System, and such Inspectors General shall provide any documents or other material requested by the Inspector General of the FDIC in order to carry out this section.

**SEC. 2. FUNDING.**

The FDIC shall make available from the portion of the FDIC budget allocated to management expenses, sums allowing the FDIC Inspector General to complete this study.

**SEC. 3. GAO STUDY.**

(a) **STUDY.**—The Comptroller General of the United States shall carry out a study on the following:

(1) The causes of high levels of bank failures in states with 10 or more failures since 2008.

(2) The procyclical impact of fair value accounting standards.

(3) The causes and potential solutions for the “vicious cycle” of loan write downs, raising capital, and failures.

(4) An analysis of the community impact of bank failures.

(5) The feasibility and overall impact of loss share agreements.

(b) **REPORT.**—Not later than the end of the 1-year period beginning on the date of the enactment of this Act, the Comptroller General shall issue a report to the Congress on the study carried out pursuant to subsection (a).

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Georgia (Mr. WESTMORELAND) and the gentleman from Georgia (Mr. DAVID SCOTT) each will control 20 minutes.

The Chair recognizes the gentleman from Georgia (Mr. WESTMORELAND).

## GENERAL LEAVE

Mr. WESTMORELAND. I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks and to add extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. WESTMORELAND. I yield myself such time as I may consume.

Mr. Speaker, the bill before the House today is one that will provide much needed transparency to the FDIC process of examining and resolving banks.

First, I would like to thank Chairman BACHUS and Subcommittee Chairman CAPITO, Ranking Member FRANK and Subcommittee Ranking Member MALONEY for their support of H.R. 2056.

I'd also like to thank my lead cosponsor, the gentleman from Georgia, my friend, Representative SCOTT, for his tireless support on this issue.

As I have said many times before, there is no greater threat to our communities than bank failures, especially in my State of Georgia.

Mr. Speaker, I want to take a minute to highlight bank failures by the numbers in my State of Georgia: 319 is the total number of failures in the U.S. since 2008; 67 of those, that's the total number of Georgia bank failures since 2008; 16, this is the number of banks in Georgia that failed in 2011; 11 banks have failed in my congressional district.

Mr. Speaker, I would like to get you to look at this chart, and you can see by this chart that these communities, these 10 States, have had the largest closing number. Their unemployment rate is some of the highest, the defi-

ciency rates. And if you look at the percentages, if you look at Arizona, 30 percent of their banks have closed; Nevada, 41 percent of their banks have closed; and in my State of Georgia, 26 percent have closed. Sadly, there are some communities in my district that no longer are even served by a community bank.

And I have often referenced these, the 10 over 10, and these are the 10 States that have had more than 10 bank failures since 2008. As you can see these unlucky States are Georgia, Florida, Illinois, California, Minnesota, Washington, Michigan, Nevada, Missouri, and Arizona. In fact, six of these 10 States have had more than 10 percent of their banks fail in the past 3 years.

These States also share other commonalities. As I mentioned, each have a higher than average unemployment rate and serious delinquency rates as well as a high number of bank failures.

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While I hope no more States are added to this list, many States are not far off. Colorado has had nine failures, including one on Friday. Kansas and Oregon have had seven failures.

Without a doubt, the FDIC is a wealth of information about the health of banks, if you have the time and resources to go through it. However, too much information without proper context can be detrimental. H.R. 2056 is designed to cut through all the information to analyze the underlying fundamentals that continue to cause bank failures across this country.

The bill directs the FDIC Inspector General, in consultation with the Treasury and Federal Reserve IGs, to study FDIC policies and practices with regard to loss share agreements, the fair application of regulatory capital standards, appraisals, FDIC procedures for loan modifications, and the FDIC's handling of consent orders and cease and desist orders.

Further, the GAO also has a study in the bill to pursue those questions the FDIC Inspector General is unable to fully explore, such as the causes of the high number of bank failures, procyclical impact of fair value accounting, analysis of the impact of failures on the community, and the overall effectiveness of loss share agreements for resolving banks.

I have welcomed the input from the FDIC IG as well as witnesses from the FDIC, the Office of the Comptroller of the Currency, the Independent Community Bankers Association, and the witnesses at the hearing 3 weeks ago. Overwhelmingly, these witnesses supported H.R. 2056. Likewise, the Financial Services Committee passed H.R. 2056 out of committee last week by voice vote.

Mr. Speaker, it is clear that Congress needs more information about the underlying causes of these bank failures.

I reserve the balance of my time.

Mr. DAVID SCOTT of Georgia. Mr. Speaker, I yield myself such time as I may consume.

As my distinguished colleague from Georgia, Congressman WESTMORELAND, pointed out, whom I am very pleased to serve as a cosponsor with on this bill, he very aptly described the very dire situation facing our State of Georgia.

Mr. Speaker, as I stand here, Georgia, since the 2008 financial difficulties started in this country, 67 banks have failed, which makes us the leader in the Nation in this area in our State. We have some very capable business people in Georgia and in Atlanta, very sterling leaders of the financial services industry worldwide based out of Atlanta. We're grappling with the recovery.

But there is no more important sector of our economy than our banking system. It is, indeed, the heart of our economic system. It pumps out the credit. It pumps out the capital that makes our economy go around. So it is very important that we really deal with an area and with information and with an effective study so that we can grasp the full meaning of what caused this to happen, what were the characteristics in Atlanta or in Georgia that caused this disproportionate number of bank failures. And, indeed, we could learn so much so that we can prevent this type of a collapse in our bank financial system from happening again and make a very valuable contribution.

So with that, Mr. Speaker, I want to take just a moment to explain what we are doing with this important bill, H.R. 2056, that we feel will make a very valuable contribution to preventing these kinds of collapses from happening again to the detriment of our economic system.

The purpose of this bill is, one, to determine the extent to which certain FDIC practices precipitated the bank failures. We need to find out if there's something that the FDIC was doing, that regulators were doing that we need to improve upon.

Two, we need to determine whether various FDIC policies and practices for resolving failed banks are appropriate. That's very important to know. If what we're doing is not appropriate, we can fix that.

And, three, we need to determine the extent to which the FDIC employees, themselves, in the field, the investigators, the bank examiners take actions that were consistent with FDIC policies and procedures that we developed here in Washington. In other words, Mr. Speaker, we need to take the time to look at this peculiar situation of this rash of bank failures in one basic geographic area of this country to see what really went wrong and if there were some things that we were doing here in Washington that we need to correct.

And, finally, we need to determine the extent to which the FDIC policies and procedures are applied consistently across all banks. This information will be very important.

The bill requires that the FDIC Inspector General, within 1 year of enactment of this bill, will conduct a study

on the impact of the failure of banks and report the results and any associated recommendations back to Congress.

This study would address, one, the effect of the FDIC's use of loss sharing agreements on relevant stakeholders, including banks that survive and borrowers of the failed IDI. Two, the significance that paper losses, including the extent to which they trigger IDI receiverships and the impact they have on raising more capital. Three, the success of field examiners in implementing the FDIC policies and procedures on commercial real estate workouts.

One of the things we find in our State of Georgia, one of the common characteristics that sort of held these banks separate was the overleverage, we shall say, of the portfolios in real estate and the housing bubble burst on us.

Four, the application and impact of consent orders and cease and desist orders, including whether such orders are used consistently across all types of banks, and also the application and impact of FDIC policies, particularly as they relate to a bank's ability to attract private capital. And then the FDIC's handling of potential investments by private equity companies in banks.

In H.R. 2056, as introduced, we received great bipartisan support and reception at a hearing that we recently had that my colleague from Georgia (Mr. WESTMORELAND) mentioned and the FDIC and the OCC are working with us on this bill. And the OCC has suggested that the FDIC Inspector General should consult with the OCC Inspectors General with respect to studied topics that pertain to banks that the OCC, which is the Office of the Comptroller of the Currency, directly supervisors and, of course, that same logic would argue for consultation with the Fed.

So subsequently, an amendment was adopted by voice vote in the full committee in the markup, requiring that the FDIC Inspector General consult with the Inspectors General of the Treasury, within which the OIG is housed, and the Fed. This amendment was passed by voice vote with strong bipartisan support to supplement the study factors regarding the loss sharing agreements. It added new study factors regarding appraisals and capital. It required the FDIC's Inspectors General to coordinate with the Treasury and the Fed's internal Inspectors General. And four, it added a new separate GAO study on bank failures to the report due 1 year after enactment. And I might add that both the FDIC as well as the OCC are supportive of this measure.

In conclusion, Mr. Speaker, this bill is very important for us not only in Georgia but across this country where we've had this rash of bank failures. It's important for us to learn and to know about the causes of the bank failures in the States that have been hard-

est hit, especially the issue of application and effect of consent orders and cease and desist orders, particularly where these orders have been enforced uniformly and fairly across all banks. This has been a concern from our banking community in Georgia.

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While I know this bill alone will not solve our current banking crisis, I am confident it will provide Congress and regulators with valuable information that may prevent failures in the future and provide us with ways that the FDIC, that the OCC and the Fed, our banking regulators and examiners, can help our banks avoid bank failures.

If we're ever going to climb out of this terrible economic malaise that we're in and spark growth in our communities, it is the banks that must be stable. It is the banks that must be well-capitalized and able to lend to consumers and small businesses. And in particular, our small and community banks are the ones that will lead the way to our economic recovery, but only if they're able to work, hand-in-hand, with our Federal regulators and examiners to remain viable.

This bill is a small step, but it is a big step in the right direction in that respect, and I encourage all of my colleagues to support it.

I yield back the balance of my time. Mr. WESTMORELAND. Mr. Speaker, I yield myself as much time as I may consume.

Mr. Speaker, our hope is that this will shed some light on these bank failures. We hope it will also shed light on why so many business people have come to all of us in this body to find out why they cannot get loans to promote job growth, to help expand their businesses. We need those answers.

We also need to make sure that this study will shed some light on what effects TARP and Loss-Share Agreements have had on our community banks. We also hope that it will shed light on why immediate write-downs are being demanded on our community banks when the loans are performing. People are paying their interest. They're meeting their renewal requirements, yet regulators are insisting that these loans be marked down. This has caused what I call a paper loss for a lot of these bankers that are then being made to ask to raise capital when they're under cease and desist orders.

So all of this does not work together. And, in fact, a lot of things that we have done in this previous Congress has caused the snowball to roll faster downhill.

I hope they'll look at the market to see what has happened and what is the effect of banks that have gotten TARP money and have come in and "fire sold" properties that have caused real property values to go down, not just for the banks, but for the people that have bought in there.

We need to find out why Loss-Share Agreements promote not modifying

loans, why they promote getting rid of some of these bad loans, why they promote a bank to be able to get rid of property when the government guarantees them 95 percent of their loss. What effect has that had on our community banks that didn't get the TARP, that have not been allowed to be in any of these Loss-Share Agreements?

These are answers that we're looking for.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Georgia (Mr. WESTMORELAND) that the House suspend the rules and pass the bill, H.R. 2056, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. WESTMORELAND. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

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.

The point of no quorum is considered withdrawn.

DEPARTMENT OF THE INTERIOR,  
ENVIRONMENT, AND RELATED  
AGENCIES APPROPRIATIONS  
ACT, 2012

GENERAL LEAVE

Mr. SIMPSON. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks and include extraneous material on the further consideration of H.R. 2584, and that I may include tabular material on the same.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Idaho?

There was no objection.

The SPEAKER pro tempore (Mr. WESTMORELAND). Pursuant to House Resolution 363 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the further consideration of the bill, H.R. 2584.

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IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 2584) making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2012, and for other purposes, with Mr. DOLD (Acting Chair) in the chair.

The Clerk read the title of the bill.

The Acting CHAIR. When the Committee of the Whole rose on Monday,