RPF CFTC

HON. RODNEY P. FRELINGHUYSEN

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. FRELINGHUYSEN. Madam Speaker, today I am introducing legislation that provides an important extension of the Commodity Exchange Act of 1934. This legislation focuses on energy transactions that perform a "significant price discovery function." The legislation also addresses fraud and retail transactions in foreign exchange markets. It gives the Commodities Futures Trading Commission broader authority to prosecute fraud in other commodities such as heating oil.

Americans have lost confidence in our energy markets—particularly in the futures market. I have spoken with many constituents who are skeptical about the price of gasoline and heating oil prices. Many consumers strongly suspect these prices are being manipulated.

Over the past year, we have seen historical increases in the prices of gasoline and heating oil. Our colleagues in the Senate have done significant analysis on this issue, and their findings have been supported by reports published by the GAO and in the fall of last year.

At the end of last year, Triple-A, AAA predicted that these spring months would see a decrease in oil and gas prices between the busy winter and summer travel seasons. Yet, prices remain around all-time highs, despite relatively constant inventory levels.

Residents of New Jersey and throughout the country have struggled with heating bills, businesses are having difficulty with their electricity and transportation costs and this situation does not appear to be improving.

To fix this situation requires complex answers, but it is becoming patently clear that speculation in the unregulated exempt commodities market is working to increase energy prices.

Providing transparency to these dark markets is long overdue. Today, I ask that all of my colleagues will support this legislation, which is very closely aligned with a Senate Amendment to the Farm bill, which had bipartisan support and was passed by a voice vote.

Quoting the Energy Market Oversight Coalition, "To restore public confidence, all energy markets must be fair, orderly, and transparent so the prices paid by consumers reflect the true supply and demand."

In order for our futures markets to work, and our financial system as a whole, there is a pressing need for transparency. The CFTC exists for a specific reason and the work they do is vital to the operations of our economy. However, it cannot accomplish its mission if there are markets that it cannot monitor.

This legislation addresses this troubling gap in the law and will ensure the solvency of our financial system and energy markets.

A PROCLAMATION HONORING GREG AVERY FOR WINNING THE BOYS' DIVISION I STATE BASKETBALL CHAMPIONSHIP

HON. ZACHARY T. SPACE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. SPACE. Madam Speaker:

Whereas, Greg Avery showed hard work and dedication to the sport of basketball; and

Whereas, Greg Avery was a supportive team player; and

Whereas, Greg Avery always displayed sportsmanship on and off of the court; now, therefore, be it

Resolved, that along with his friends, family, and the residents of the 18th Congressional District, I congratulate Greg Avery on winning the Boys' Division I State Basketball Championship. We recognize the tremendous hard work and sportsmanship he has demonstrated during the 2007–2008 basketball season.

HONORING AARON HARTFIEL

HON. SAM GRAVES

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. GRAVES. Madam Speaker, I proudly pause to recognize Aaron Michael Hartfiel of Lee's Summit, Missouri. Aaron is a very special young man who has exemplified the finest qualities of citizenship and leadership by taking an active part in the Boy Scouts of America, Troop 1312, and earning the most prestigious award of Eagle Scout.

Aaron has been very active with his troop, participating in many Scout activities. Over the many years Aaron has been involved with Scouting, he has not only earned numerous merit badges, but also the respect of his family, peers, and community.

Madam Speaker, I proudly ask you to join me in commending Aaron Michael Hartfiel for his accomplishments with the Boy Scouts of America and for his efforts put forth in achieving the highest distinction of Eagle Scout.

PERSONAL EXPLANATION

HON. MARK UDALL

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. UDALL of Colorado. Madam Speaker, on Wednesday I was unavoidably detained and unable to reach the House floor in time for two rollcall votes.

If I had been present, I would have voted as follows:

Rollcall No. 165—on adoption of H. Res. 1084, Providing for consideration of the bill H.R. 2016, to establish the National Landscape Conservation System, and for other purposes—I would have voted, "yes."

Rollcall No. 166—on passage of H. Res. 1077, Calling on the Government of the People's Republic of China to end its crackdown in Tibet and to enter into a substantive dialogue with His Holiness the Dalai Lama to find a negotiated solution that respects the distinctive language, culture, religious identity, and fundamental freedom of all Tibetans—I would have voted, "yes."

IN HONOR OF JEANETTE LANCASTER, NATIONAL NURSING LEADER

HON. VIRGIL H. GOODE, JR.

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. GOODE. Madam Speaker, Jeanette Lancaster, PhD, RN, FAAN, Sadie Heath Cabaniss Professor of Nursing and Dean of the University of Virginia School of Nursing, will soon step down as Dean after an extraordinary 19 years of service in that role. It is not only for her status as one of the longest tenured deans in the University's modern history that she is known by her peers as the "Dean of Deans."

During her deanship, the UVA School of Nursing national rankings rose by at least ten points to now stand at 19th in the United States; among the country's top five percent of nursing schools. U.S. News & World Report ranks two of the School's master's programs in their Top Ten and two others in the top twenty. Dr. Lancaster has expanded the School's enrollment by 28 percent and projects additional increases to help meet the country's current and future health care needs. She has been an avid supporter of ROTC and military nursing enrollment.

Under her visionary leadership, the UVA School of Nursing has been in the vanguard launching innovative programs to meet the more complex and technical needs for nurses in today's health care environment and to address the current and growing shortage of well educated nursing clinicians and faculty.

Dr. Lancaster, holder of the first endowed nursing professorship in the United States, has been recognized with the first endowed professorship named for a female dean at the University of Virginia (1999). She has been honored as both the first nursing dean and the first woman to be invited in her own right to live in one of Thomas Jefferson's Pavilions on the historic UVA Lawn. Her innovative efforts to improve gender imbalance at the University of Virginia to give women a more equal role in decision-making are well acknowledged.

In foreseeing and navigating the sea changes now occurring in the nursing profession, Jeanette Lancaster has been a national leader. She also is recognized internationally as an authority in community health nursing, nursing education and public policy. As president of the American Association of Colleges of Nursing (AACN), she has testified before the U.S. Congress to advocate for support of nursing education. The AACN is a national organization that sets standards, recommends curricula and advocates for nursing baccalaureate and higher degree education to improve patient outcomes.

Her peers have elected her as a Fellow in the prestigious American Academy of Nursing and National Academies of Practice. She has held numerous national leadership positions in professional associations and been honored nationally with multiple awards and honorary degrees. Recently, she served on the Commonwealth of Virginia's statewide Healthcare Workforce Task Force and has long been an effective advocate for greater Commonwealth support for nursing education.

We hereby commend Jeanette Lancaster for her outstanding career as Dean, her effective and visionary leadership combined with commitment and dedication to improve health care for the people of the United States and for her ability to inspire others to excellence.

PREDATORY LENDING

HON. TOM FEENEY

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. FEENEY. Madam Speaker, I would like to call to the attention of my colleagues and other readers of the RECORD the article from Consumer Rights League, which is reprinted below.

PREDATORY CHARITY: THE SELF-INTERESTED SELF-HELP OF THE CENTER FOR RESPONSIBLE LENDING

EXECUTIVE SUMMARY

The term ''predatory lending'' seems to have appeared out of thin air in recent years. In reality, the prevalence of the term—and the accompanying public panic—owes much to a sophisticated public relations campaign carried out by the increasingly high-profile Center for Responsible Lending (CRL).

As the most visible face of the half-billion dollar team of ''Self-Help'' non-profit organizations, CRL attacks competing loan products. Under the guise of advocating in the interests of its low-income customers, Self-Help makes loans at highly profitable rates and uncharitably takes those low-income customers to court over trivial monetary sums. Worse, CRL's advocacy has worked to the disadvantage of low-income borrowers.

This report utilizes documents in the public record to demonstrate: CRL's advocacy agenda—built on pseudoscience that relies on arbitrary and opaque definitions and unreliable estimates and assumptions—has harmed consumers, according to recent Federal Reserve research; CRL's troubling alliances—a spokesman who pled guilty to felony larceny, an employee who engaged in eavesdropping, and a multi-million-dollar grant from a wealthy Wall Street investor with a stake in the outcome of CRL's lobbying activities; the Self-Help network attacks other lenders for allegedly using practices that it employs—taking in charitable grants and low-interest government loans while charging its customers uncharitably high rates and prosecuting low-income customers for amounts as low as $96; the Self-Help network has combined its advantageous loan rates and aggressive legal attacks to build a powerful organization with net assets of a quarter-billion dollars and approximately $12 million in annual profit from its largest loan-making body; the Self-Help network seems to encourage its customers to assume high amounts of debt, Its delinquency loan rate is almost 7 times the rate at comparable credit unions. Its customers carry loan balances over 3 times the rate of those institutions.

Many consumer advocates work with financial institutions to meet community needs. Yet the public record shows CRL and its financial web do more harm than good. This report examines CRL's record and concludes that public officials, policymakers, and the media should be skeptical about the group's complaints, while non-profit donors and government bodies need to re-examine the charitable loan rates they provide to CRL's web of financial organizations.

AN INTRODUCTION TO SELF-INTEREST

What do you call an organization that has made more than $190 million in profit in the last ten years by targeting poor Americans with high interest rate loans? If you were the Center for Responsible Lending, you would call that organization a ''predatory lender.'' However, this is a description that fits ''Self-Help,'' CRL's network of non-profits.

CRL is the research and advocacy arm of a large and financially powerful web of organizations under the umbrella of the Center for Community Self-Help. This matrix includes the Self-Help Ventures Fund (the largest loan-making body), the Self-Help Development Corporation, the Self-Help Services Corporation (which pays salaries and many expenses for network staff), and the Self Help Credit Union. According to tax returns, the Self-Help network (except its credit union) increased its assets by nearly 36 percent—from $181 million to 245 million—between 2002 and 2004. According to the National Credit Union Administration, the Self-Help Credit Union reported $292,143,058 in assets as of November 2007.

Questions have arisen as to whether this largess has benefited the working poor or if the group's leaders have simply been helping themselves. Critics scoff at Self-Help's 2004 decision to spend a whopping $23 million to buy a high-rise building in downtown Washington, D.C. for its operations. Perhaps more troubling, one report examining tax returns for the Self-Help Credit Union assets found: ''The financial reports of the Self-Help Credit Union reveal that throughout the 1990s Self-Help made loans to its officials and senior executives averaging $30,000 to $40,000, a practice permitted by Self-Help's conflict-of-interest policy. In June 2002, one official received a loan for about $1.2 million, and tax forms show that in March 2004 another official received a large loan, bringing the total borrowed by only two unnamed Self-Help officials to more than $2.7 million. Without explanation, those loans disappeared from the Credit Union's financial report in December 2004.''

Self-Help's credit union provides ample conflicts of interest with CRL's attacks on other lenders. In November 2007, researchers from the Federal Reserve examined the effects of payday loan bans, including the North Carolina law successfully pushed by CRL. The researchers concluded that payday lending was actually preferable to the fees credit unions—like those operated by Self-Help—charge its low-income consumers: ''Payday loans are widely condemned as a ''predatory debt trap.'' We test that claim by researching how households in Georgia and North Carolina have fared since those states banned payday loans in May 2004 and December 2005. Compared with households in all other states, households in Georgia have bounced more checks, complained more to the Federal Trade Commission about lenders and debt collectors, and filed for Chapter 7 bankruptcy protection at a higher rate. North Carolina households have fared about the same. This negative correlation—reduced payday credit supply, increased credit problems—contradicts the debt trap critique of payday lending, but is consistent with the hypothesis that payday credit is preferable to substitutes such as the bounced-check ''protection'' sold by credit unions and banks or loans from pawnshops.''

These findings raise serious doubt as to the social value of CRL's advocacy and the quality of its research.

Further questions have focused on the group's drive for political influence. CRL has publicly signed a letter with the radical group ACORN. It has received significant financial support from George Soros's Open Society Instiute and tens of millions from the left-leaning Ford Foundation.

Indeed, it will be the very low-income consumers extolled in CRL's rhetoric that are most hurt by the group's power. Self-Help and the CRL are redefining hypocrisy and creating a new term: ''predatory charity.''

REDEFINING PREDATORY LENDING: WHEN YOU MAKE ASSUMPTIONS

From elaborate assumptions to dubious omissions, the ''studies'' released by the Center for Responsible Lending have all the indications of advocacy-driven research. CRL's studies make frequent methodological assumptions that artificially inflate their findings. It is clear that their reports are written with a pre-determined conclusion in mind.

FEDERAL RESERVE RESEARCH SINKS ''FINANCIAL QUICKSAND''

CRL has raised its public profile by attacking the practice of ''predatory lending.'' Its media presence is largely in response to its 2006 report, ''Financial Quicksand.'' Unfortunately, CRL has built its argument on a foundation of sand that erodes economic opportunity for the very low-income consumers it purports to protect.

If anything, ''Financial Quicksand'' sinks from its own assumptions. The report is best characterized as a series of arbitrary definitions. It uses non-nationally representative estimates, derived from a serious of unjustified assumptions, to argue that payday lenders ''cost'' Americans $4.2 billion dollars each year. Although the report claims to offer a national perspective on the payday lending industry, it samples data from only four states for its central findings.

Consider some of the report's problems: ''Financial Quicksand'' makes 18 separate assumptions, many of which would be charitably described as questionable, and rely on another 53 ''estimates'' to reach their conclusions.

Crucially, the report hinges on the critical (and flawed) assumption that anyone who takes out five or more loans in a year is likely flipping their loans back-to-back-to-back. However, 22 states prohibit ''flipping'' loans and many more limit rollovers—a fact ignored by the report.

The report also suggests that payday loans ''cost Americans'' billions of dollars and argues that banning them could ''save'' billions more. In economics, a ''cost'' typically occurs when capital is eliminated from the economy. For instance, unnecessary inefficiency in a manufacturing process could be seen as a ''cost to Americans.'' However, financial services, including those offered by payday loans operators, do just the opposite. They generate capital for the economy and for each individual loan-taker.

Claiming that payday lending bans ''save'' money is equally dubious. Not only does the industry itself generate capital for a state's economy and tax revenue for the government, but payday loans, like any other loan, allow individuals to generate more capital for themselves on the aggregate. By banning payday lending, states don't ''save.'' Instead, they experience a cost through lost tax revenue and lost capital opportunities.

Statistical research released from the Federal Reserve suggests CRL's lobbying efforts against payday lending have been misguided at best. In December 2007, the Associated Press reported that, ''A ban on payday loans may be leading to greater financial burdens for low-income residents of two Southern states, according to a researcher at the Federal Reserve Bank of New York.''

Indeed, the Federal Reserve report specifically cited CRL's ''research'' against payday lending and its estimate that a ban would ''save'' Georgians $154 million. It concluded that CRL's research was both flawed and costly to low-income consumers: ''Georgians and North Carolinians do not seem better off since their states outlawed payday credit: they have bounced more checks, complained