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NOMINATIONS OF ELAD ROISMAN, MICHAEL R. BRIGHT, RAE OLIVER DAVIS, AND DINO FALASCHETTI

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF:

ELAD ROISMAN, OF MAINE, TO BE A MEMBER, SECURITIES AND EXCHANGE COMMISSION

MICHAEL R. BRIGHT, OF THE DISTRICT OF COLUMBIA, TO BE PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

RAE OLIVER DAVIS, OF VIRGINIA, TO BE INSPECTOR GENERAL, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DINO FALASCHETTI, OF MONTANA, TO BE DIRECTOR, OFFICE OF FINANCIAL RESEARCH, DEPARTMENT OF THE TREASURY

JULY 24, 2018

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NOMINATIONS OF ELAD ROISMAN, MICHAEL R. BRIGHT, RAE OLIVER DAVIS, AND DINO FALASCHETTI

TUESDAY, JULY 24, 2018

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:04 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Mike Crapo, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman CRAPO. The Committee will come to order. I have been informed that Senator Brown will be here momentarily, but that it is OK for us to go ahead and get started.

This morning we will consider the nominations of four more individuals to serve in key leadership posts in the Administration: Mr. Elad Roisman, to be a Member of the Securities and Exchange Commission; Mr. Michael Bright, to be President of the Government National Mortgage Association, or Ginnie Mae; Ms. Rae Oliver Davis, to be Inspector General of the U.S. Department of Housing and Urban Development; and Dr. Dino Falaschetti—did I get that right?

Mr. FALASCHETTI. Yes, sir.

Chairman CRAPO. To be Director of the Office of Financial Research.

Welcome to all of you this morning, and congratulations on your nominations to these very important offices. I see friends and family behind you today and welcome them here as well.

Each of these nominees, if confirmed, will play an important role in supporting our financial system, ensuring it remains vibrant, safe, and sound for all Americans.

I will start by recognizing Mr. Roisman, in particular, who continues to do outstanding work for this Committee as Chief Counsel. I can personally attest to Elad's impressive command of securities law, his keen intellect and work ethic, and his commitment to doing what is right.

As many on this Committee know, Elad is intimately familiar with the inner workings of the SEC, having previously served as Counsel to Commissioner Daniel Gallagher and as Chief Counsel at the NYSE Euronext.

Elad, thank you for being a trusted adviser and a resource to me and to the others on this Committee. If confirmed, I am confident

that you will successfully execute the SEC's mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. We will be sad to see you go, but the SEC will have gained a tremendous asset from which our whole country will benefit.

Michael Bright also has a distinguished career as a Senate staffer and is no stranger to many in this room. Over the last decade, Mr. Bright has established himself as a leading voice on housing finance policy.

Most recently, over the past year-and-a-half, he has overseen all aspects of Ginnie Mae, including its nearly $2 trillion portfolio of mortgage-backed securities, and has already taken significant action to protect taxpayers and help consumers.

If confirmed, I know Mr. Bright will continue this important work, and I look forward to working with him on opportunities to address the last piece of unfinished business from the financial crisis: comprehensive housing finance reform.

Rae Oliver Davis has dedicated her entire career to holding others accountable. As a former Assistant U.S. Attorney, Ms. Davis spent years investigating and prosecuting financial criminals, among other crimes.

Over the past decade, she has turned her focus to holding the Government accountable, working for various Inspectors General within the United States Postal Service, the Troubled Asset Relief Program, or TARP, and HUD.

If confirmed as HUD Inspector General, Ms. Davis will draw from this deep experience, working on behalf of taxpayers to eliminate fraud, waste, and abuse in our housing programs, and to make sure that those programs run as efficiently and as effectively as possible.

Dino Falaschetti has had a distinguished career in economics that spans academia, the private sector, and public service—most recently as Chief Economist for the House Financial Services Committee.

For many years, Dr. Falaschetti's expertise on finance, corporate law, business strategy, and economic policy has been widely sought out. In addition to holding faculty appointments at eight different universities, Dr. Falaschetti served as Senior Economist for the President's Council of Economic Advisers during the second Bush administration, where he worked directly under future Fed Chairman Ben Bernanke.

At the Office of Financial Research, or OFR, Dr. Falaschetti will be charged with overseeing much of the research and data analysis that supports the work of the Financial Stability Oversight Council. If confirmed, he will be a trusted and valued resource for FSOC and the Treasury Department as he has been for Congress and many others.

We have four highly qualified nominees before us, and I urge my colleagues to support them so that they can quickly get to work for the American people.

Congratulations once again on your nominations, and thank you for your willingness to serve.

Senator Brown.

OPENING STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman, for holding today's hearing on the nominations of Mr. Elad Roisman, Mr. Michael Bright, Ms. Rae Oliver, and Dr. Dino Falaschetti. Welcome to all of you. I look forward to meeting your families, and I want to welcome you to the Committee.

Mr. Roisman has been nominated to be a Commissioner of the Securities and Exchange Commission. If confirmed, Mr. Roisman would return to the SEC and continue the public service he began there.

His time at the SEC and on the Banking Committee provide him with an understanding of the challenges facing the agency and the markets. Although I expect Mr. Roisman to face many difficult issues, if he is confirmed, I hope he pays particular interest to the downward trend in enforcement actions and penalties. That is a serious problem.

The SEC must emphasize integrity and fairness in the capital markets in order for investors to have faith in the markets and in the regulator.

Market participants need to see meaningful efforts by the SEC to enforce the law and to punish bad actors. Ten years after the financial crisis, we are reminded that regulators have failed to hold any senior executives accountable for the widespread misconduct that devastated millions of families, and many, many, many of those families have not recovered.

Tough enforcement policies can discourage wrongdoing and maybe even help avoid the practices that led to the last crisis. Mr. Roisman, I hope you will do everything you can to make strong enforcement a priority.

Mr. Bright is a fellow Ohioan and is no stranger to this Committee. He advised Senator Corker on Committee issues for 4 years, including proposals to reshape the housing finance system.

He has held many roles in the housing finance industry, including his current position as the Executive Vice President and Chief Operating Officer of the agency he has been nominated to lead, Ginnie Mae.

For 50 years, Ginnie Mae has facilitated access to affordable loans through the FHA, VA, and USDA mortgage programs by connecting federally insured loans to investors around the world. Today some 11 million households have access to affordable mortgage credit and rental housing because of Ginnie Mae.

I have been encouraged that, under Mr. Bright's leadership, Ginnie Mae has strengthened its risk management and continued to adjust to an evolving home lending market.

But I have questions for Mr. Bright about his work and the policies he advocated before his nomination and how this will inform his vision for Ginnie Mae.

HUD's Office of Inspector General plays an important role in ensuring the integrity and effectiveness of HUD programs. The Inspector General serves as an independent check on the agency, working to ensure that HUD's programs and personnel are accountable to taxpayers and advance the mission that Congress has given HUD to assist our families and communities.

If confirmed, Ms. Oliver would bring years of investigative experience to the role of Inspector General. I look forward to hearing her testimony today.

Dr. Falaschetti has been nominated to be the Director of the Office of Financial Research. OFR was established by the Wall Street Reform Act to monitor and study emerging risks to the financial system and to support the work of FSOC.

As both Congress and the regulators make changes to rules that roll back the strong post-crisis regulations, the OFR's analysis of market trends and potential gaps in regulators' view of risks is critical to financial stability.

Dr. Falaschetti, I know you have been a skeptic of regulation in the past. If confirmed, I hope you will take OFR's mandate seriously. Hardworking Americans cannot afford another crisis. Too often the White House looks like a retreat for Wall Street executives. All of us on this Committee, at least on this side of the aisle, are concerned about that. Whatever OFR can do to monitor risks will benefit everyone.

Not seeing the signs of the next crisis would be bad enough, but to miss them because the office created to study systemic risk does not have resources it needs is inexcusable.

Mr. Chairman, I would like to also in closing mention the number of regulators that we have approved—that we have had hearings on and we have approved in this Senate contrasted to the last 2 years of 2015 and 2016 in the Obama administration. I do not lay that at your feet. I lay that at your party's feet and the Chairman before you. I was speaking yesterday to Governor Brainard, saying the only non-Trump nominee, the only non-Trump appointee at the Federal Reserve in 18 months because of Republican obstruction, because of Leader McConnell and Chairman Shelby, this Committee simply did not do its work, to block every possible Obama nominee they could, and we have simply not played that role on this side because we, in fact, do believe that the President is entitled to his nominations. I would hope that both parties would learn something from that.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Brown. And I do appreciate the fact that you have been willing to work with us on this Committee to move nominees through, and I recognize that as well. There has been a serious amount of obstruction on the floor, but I do not put that at your feet either.

We will now administer the oath. Would the witnesses please stand? Would you all please raise your right hands? Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ROISMAN. I do.

Mr. BRIGHT. I do.

Ms. DAVIS. I do.

Mr. FALASCHETTI. I do.

Chairman CRAPO. And so you agree to appear and testify before any duly constituted committee of the Senate?

Mr. ROISMAN. I do.

Mr. BRIGHT. I do.

Ms. DAVIS. I do.

Mr. FALASCHETTI. I do.

Chairman CRAPO. Thank you. You may take your seats.

Your written statements will be made a part of the record in its entirety. Before you begin your statement, I invite you to introduce your family, if you choose to do so, and we will proceed in the order you were introduced. So, Mr. Roisman, you may proceed.

TESTIMONY OF ELAD ROISMAN, OF MAINE, TO BE A MEMBER, SECURITIES AND EXCHANGE COMMISSION

Mr. ROISMAN. Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am honored to appear before you today as the President's nominee to serve as a Commissioner of the U.S. Securities and Exchange Commission. My professional experience as a securities lawyer at a global law firm, a chief counsel at NYSE Euronext, counsel to an SEC Commissioner, and now Chief Counsel on this Committee have afforded me a broad spectrum of experiences that would enable me to effectively serve the public and carry out the SEC's mission should I be confirmed.

Mr. Chairman, I would like to introduce members of my family that are here with me today. My wife, Helaina Roisman, who is a social worker at George Washington University Hospital and, without question, my far better half. My parents, Hanna and Yossi Roisman, who taught me at an early age the importance of integrity and having the courage to do the right thing. My brother, Shalev Roisman, who showed me the importance of trying to understand the other side of every issue. My father- and mother-in-law, Larry and Laurie Bernstein, and my brother-in-law, Jacob Bernstein, who have always been incredibly supportive over the years. Last, my daughters, Talia and Yael, are too young to come today, but remind me daily of what is most important in this life.

As the child of two immigrants who moved to this country determined to pursue a better life for themselves and their children, I have a strong appreciation for the stability and security that our form of Government and financial markets provide. My parents did not have much when they came here. But what they did have was confidence—confidence in America and confidence in a financial system that would enable them to save and invest so that they could raise their family and help provide for their children's education. When I think about what gave them such confidence in a system that they barely knew, one thing stands out: public trust. While they may not have understood or appreciated the complex system of oversight and regulation that governs the conduct of market participants in our financial markets, they believed and expected that our markets would be regulated in a fair and orderly manner with requisite investor protection, transparency, and accountability.

While serving as a chief counsel at NYSE Euronext, I saw firsthand the excitement and pride of entrepreneurs and innovators when they rung the opening bell as their companies went public, enabling them to grow their companies, invest in communities, and allow investors to share in their success. My belief in the importance of fair markets and the role they play in our country is what motivated me to move from New York to Washington, DC, to join the SEC. I wanted to utilize my insights and experiences from the

private sector and passion for the securities markets to help further the SEC's important mission. As counsel to an SEC Commissioner, I worked with the SEC's expert staff and witnessed their dedication and determination to protect investors and enforce the law. And as a Chief Counsel on this Committee, I have developed the utmost respect for this institution and the critical role of congressional oversight. I believe my personal and professional experiences have prepared me well for the role for which I am being considered. I fully recognize and appreciate the critical role the SEC serves in the lives of investors so that families like mine can save for their children's education, pay for unexpected expenses, and retire with confidence.

The U.S. capital markets are the envy of the world, and the importance of the SEC's role in this cannot be overstated. Throughout its history, the dedicated Commissioners and staff of the SEC have worked to preserve confidence as our markets grew and evolved. To continue this, the SEC must examine and reexamine its rules, regulations, and guidelines to ensure that they are still working as intended to accomplish the SEC's mission. This is most recently manifested in areas such as data protection and cybersecurity, as well as the emergence of new investments and technologies such as initial coin offerings and blockchain. It is essential that the SEC approach these new challenges in a fair and transparent manner, provide clarity and certainty to the markets and investors, and enforce the laws and regulations that hold market participants accountable.

If confirmed, it would be an incredible privilege to rejoin the ranks of the SEC's dedicated public servants and further its mission.

Thank you, and I look forward to your questions.

Chairman CRAPO. Thank you.

Mr. Bright.

TESTIMONY OF MICHAEL R. BRIGHT, OF THE DISTRICT OF COLUMBIA, TO BE PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Mr. BRIGHT. Chairman Crapo, Ranking Member Brown, and distinguished Members of this Committee, thank you for inviting me here today. It is an honor to appear before you as the nominee to be the President of the Government National Mortgage Association, or Ginnie Mae.

Let me take a moment to quickly thank my family who is here. I am joined by my wife, Maggie, and my son, Mac. My daughter, Margaux, who is 5, is at her grandparents' house in Florida, but probably watching on the computer. All three of them have been incredibly supportive of me since coming to Washington, and that comes despite the many nights of coming home tired, grumpy, and distracted with work. I know that I ask a lot of them, and I am always thankful for their love and support.

In addition to being a father, for the past 12 months it has been my honor to serve as the Executive Vice President and Chief Operating Officer of Ginnie Mae. I would like to tell you a little about what I have learned and what I think still needs to be done.

Ginnie Mae was created in 1968 when Congress spun off Fannie Mae as a Government-sponsored private company and retained Ginnie as a complementary Government corporation given the task of facilitating the securitization of certain mortgages with an explicit, transparent, and paid-for Government guarantee. Ginnie Mae has since evolved into a $2 trillion Government security with a focus on facilitating lending to low- and moderate-income, rural, urban, and veteran borrowers.

Today Ginnie Mae's bond and Ginnie Mae's brand are globally recognized as the most pristine mortgage security in the world. This is because of Ginnie Mae's track record of success and our robust process for ensuring the timely payment of principal and interest to security holders. Ginnie Mae has never missed a payment in its 50 years of existence, even during the financial crisis. That is exactly what an explicit Government guarantee is meant to provide, and delivering on that mission is what we do at Ginnie every single day.

The day job of managing the roughly 150 employees of Ginnie Mae has been an incredibly rewarding experience for me over the past year. Ginnie has some of the most dedicated, knowledgeable, and mission-focused professionals I have ever worked with. They are squarely focused on the challenges of dealing both with Ginnie's growth and the evolving nature of the U.S. mortgage market.

To address some of these challenges, over the past 12 months we have launched a modernization campaign which we call "Ginnie 2020," a 3-year strategic plan that will have our data centers running on cutting-edge technology, realign our counterparty risk management framework, help bring in additional financing for mortgage servicing rights, and expand our investor base through outreach and education in dozens of countries around the globe. All these efforts are well underway, some are even nearing completion, and we are very excited about the promise they hold for the future of our organization.

One issue that I have worked with many of you on this past year is that of so-called VA loan churning, or the rapid refinancing of VA loans with little or no benefit to the borrower, as well as the making of VA loans with interest rates higher than a veteran should be getting. I want to specifically thank Senators Tillis and Warren for their leadership on this issue. Between the work that we have done administratively at Ginnie as well as the language recently passed into law, we have taken a major step toward rooting out behavior that was threatening the very viability of the Ginnie security, and thereby the viability of the VA, USDA, and FHA programs that Ginnie supports. At Ginnie we will not tolerate this behavior, and we now know that Congress stands with us. Collectively, our efforts are working. We can already see that in the form of a better security price, which directly translates into lower rates for FHA, VA, and USDA borrowers.

I did not begin my career in Washington. I came here after working in my twenties on mortgage trading desks in Los Angeles and Charlotte, including through the financial crisis. During that time, I learned thousands of lessons that I place into two thematic buckets:

First, I learned that the mortgage market is incredibly technical and enormously complex. I feel honored to be able to use the technical knowledge I gained to serve a broader public policy mission that benefits all Americans.

Second, I learned that greed and unbridled ambition can be dangerous realities, and if left unchecked in the housing market, the consequences can be disastrous. I came to Washington in large part to help ensure that we never repeat the 2008 financial crisis, and I wake up every day with that mindset still.

I also want to say thank you to the Members and staff that I have been privileged to work with in the past, most especially Senator Corker. Working with Senator Corker, as well as Senators Warner, Crapo, and others as a staffer was a tremendous honor and an experience I still think about every single day.

Going forward, my main goals for Ginnie Mae are to ensure that the agency is well run, and that the agency can continue to serve its statutory obligations to help ensure a stable U.S. housing market. There is much to be done, and I look forward to the task.

Thank you.

Chairman CRAPO. Thank you.

Ms. Davis.

TESTIMONY OF RAE OLIVER DAVIS, OF VIRGINIA, TO BE INSPECTOR GENERAL, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. DAVIS. Thank you, Chairman Crapo, Ranking Member Brown, and Members of the Committee. It is an honor to appear before you as the nominee to serve as the Inspector General of the United States Department of Housing and Urban Development. I would like to thank my family, friends, and colleagues—some are here today—for their support. I would particularly like to thank my parents, Charles and Jerry Oliver, and my husband, Chris Davis, for their love and support. I would also like to thank my three stepchildren, Graham, Addy, and Liam, for inviting me into their lives and guaranteeing that I would never suffer a dull moment, including some here today as we all prepared to come join you.

I am proud to have made a career in public service and oversight. As a young staff attorney, I cut my teeth working on the then-Senate Governmental Affairs Committee and the House Government Reform and Oversight Committee. I then joined the Tennessee Office of the Attorney General where I led consumer protection investigations that resulted in nationwide settlements with Fortune 500 companies. I aspired to be a Federal prosecutor and was fortunate to receive an offer with the U.S. Attorney's Office for the Western District of Tennessee in Memphis. I prosecuted a wide variety of cases in that office, including false tax claims and investment schemes to firearms and drug violations.

After returning to our Nation's capital, I landed in the IG community, where I have happily spent the last decade of my career. I have worked in three unique and challenging agencies: the Postal Service, the Special Inspector General for the Troubled Asset Relief Program, and most recently HUD. I have been boots-on-the-ground conducting and leading investigations. I have also served in senior-

level positions where I gained an appreciation for the tough decisions that IGs must make every day.

In my most recent position with the HUD OIG's Office of Special Inquiry, our efforts have focused on senior official misconduct and enterprise-level risk to the Department. We have created a multidisciplinary team of attorneys, investigators, and auditors to address complex issues in a comprehensive manner.

I would like to share with the Committee my personal constitution with respect to IG work and my vision for HUD OIG, if confirmed as Inspector General.

The foundation of IG work is independence. It is the principle that protects our ability to shed light on the truth about Government. An independent IG cannot allow the department or the agency it oversees to direct its work in any way. And an independent IG cannot stand for obstruction or delay in agency access to records.

I also believe the best IGs are strong communicators. IGs must have solid relationships with their authorizing and appropriating committees to ensure they are prioritizing the right work and keeping Congress informed. In my rounds with Senators and your staffs, I committed to ensuring that we conduct comprehensive investigations and deliver thorough reporting. I am aware that our work is also of significant interest to taxpayers. Shedding light on Government mismanagement and misconduct through our reports can be as effective as prosecutions and financial recoveries.

To remain current in our efforts, we must communicate well with HUD. We can be independent in the direction of our work and our reporting while maintaining strong lines of communication about HUD's priorities, initiatives, and planning. I believe strongly that we must also be active in the IG community, through cross-cutting initiatives, training programs, and development of best practices.

My vision and goal-setting for HUD OIG will focus on effectiveness. We can spark positive change by making hard-hitting recommendations relating to HUD's top management challenges.

HUD's mission is far-reaching, and there are many pressing issues in HUD programs that require attention. I am honored to be considered as the nominee for this important oversight position.

I appreciate the opportunity to appear before this Committee today and to answer your questions. Thank you so much for your time.

Chairman CRAPO. Thank you.

Dr. Falaschetti.

TESTIMONY OF DINO FALASCHETTI, OF MONTANA, TO BE DIRECTOR, OFFICE OF FINANCIAL RESEARCH, DEPARTMENT OF THE TREASURY

Mr. FALASCHETTI. Chairman Crapo, Ranking Member Brown, and Members of the Committee, it is an honor to appear before you as the President's nominee to serve as Director of the Office of Financial Research.

I want to introduce my wife, Suzanne, two rows behind me, and I want to acknowledge other incredible people who cannot be with us today.

Betty, Suzanne's Mom, is packing up her home in Chicago for a move to Montana. She will be a great constituent for what many call "the last best place."

My brother, Dominic, and his partner, Greg, are watching on the Committee's website; work in Chicago did not allow them to join us today.

I also want to acknowledge several people who are no longer here, but continue to be a great source of love and wisdom: Suzanne's Dad, Rich, as well as my Mom and Dad, Myrna and Dominic.

My parents are the reason I am here. Growing up in South Chicago, my grade school was a tough place. Tough enough that my Mom, a substitute teacher, and my Dad, a high school teacher, saw early on that I was headed down a dead end. Unfortunately, a better school district looked beyond my parents' reach.

Mom and Dad decided to stretch their budget to the end, and then more, so that my brother and I could grow up in a much safer neighborhood and attend much better schools. They could not have pulled it off without the confidence of local bankers who provided the support necessary to enable my parents to do what was right for their family.

My high school brought together kids from very different backgrounds. I sat between two young men: one would graduate and go on to Yale; the other was already in a gang.

My experience growing up is a powerful illustration of the importance of a loving family and access to financial services. Absent either one, I could have easily continued down that dead end. With them, I was able to earn a business degree and a doctorate in economics that gave me access to a rewarding career.

My work in business, research, and policy has prepared me to lead the Office of Financial Research and ensure that it efficiently and effectively provides the high-quality data and analysis that Congress intended. It is my upbringing that taught me why this mission is so important.

If confirmed, I look forward to working with this Committee and with the other members of the Financial Stability Oversight Council to promote a more resilient financial sector so that all Americans, wherever they might have started, have reliable access to the kind of financial hand up that helped my parents realize their dreams.

I am honored to be here today and look forward to addressing your questions.

Chairman CRAPO. Thank you very much. And I also want to thank each member of the panel for ending your testimony well within your time limits. Impressive.

I will start with you, Mr. Roisman. While I recognize that the Chairman of the SEC sets the agenda for the Commission, can you please discuss two or three areas that you intend to focus on personally?

Mr. ROISMAN. Thank you, Senator. What I would say is I think it is important to further the SEC's mission, and that entails promoting investor confidence in the markets as well as in the SEC itself. I have heard from Members of this Committee as well as from friends and family who believe that there is a perception that

the markets are rigged against the little guy, and I think it is important for the SEC to try to dispel that notion. And one of the ways they can do that is by having a strong enforcement program, a program that holds regulated entities and individuals accountable.

I also think it is important for the SEC to try and hear from folks that may not make it to Washington. There is a large part of the country that is represented by small business owners, investors that may not have as much as some of the people—as all people, I should say, or, you know, very rich people. But their perspectives are incredibly important, you know, in determining what the SEC is doing right and what it could improve on.

And, finally, I think I would like to focus on improving capital formation and secondary market liquidity for smaller companies.

Chairman CRAPO. Well, thank you very much.

And, Mr. Bright, could you go a little bit further into the activities you have been involved in in addressing the churning that has been going on with regard to the VA loans?

Mr. BRIGHT. Yes, thank you, Mr. Chairman. You know, we noticed—I noticed, actually, right when I came on that there was behavior in our security price that was sort of inexplicable. Ginnie Mae pricing had fallen for no rational reason, which tells you that investors were not buying our bonds. And so we started to dig into it and realized that investors were not buying the bonds because they were prepaying, meaning they pay some price for the security, and then 2 months later they get their par back, you know, get the principal back, and lost money on transaction costs and all these other things. And so the people were not buying the Ginnie security. If people do not buy the Ginnie Mae security, then you cannot make FHA, VA, and USDA loans. So we knew this was existential and something we had to go after.

After we started researching it, we realized that veterans were being targeted with very misleading, very deceptive marketing materials, and in some cases they were being duped into refinancing their loan three, four, and even five times in a 12-month span. And all these refinancings, they were driving up the loan balance of the loan; they were causing a lot of consternation in the investors upon whom the security relies. And so we knew we needed to get our arms around it.

So we began a dialogue with the CFPB, started sending them data, began a dialogue with the SEC as it related to whistleblowers who came forth. But, most importantly, we decided that actors who had behavior that was not explainable by anything rational would not be eligible to participate in our multi-issuer pool.

So we actually took action and told a few lenders who had pools of loans that looked like there was behavior that you could not explain from rates. Borrowers were refinancing even though rates were not going down. We said that until you get your act in line with sort of your peers, you are not allowed in the multi-issuer pool, and it has had a positive effect on our program, which means it has had downward pressure on rates for FHA, VA, and USDA borrowers.

Chairman CRAPO. All right. Thank you very much.

And, Ms. Davis and Dr. Falaschetti, I only have about 90 seconds left, so could each of you take about 30 or 45 seconds and just tell me a couple of areas you intend to focus on in your new positions?

Ms. DAVIS. Thank you. I hope to ensure that Americans continue to have access to safe and sanitary HUD housing by looking at important issues like lead paint and the circumstances in Alexander County. I hope to also conduct effective oversight of disaster relief by leveraged our in-house expertise. These disasters are not new to the HUD OIG either. And, finally, I hope to ensure that Americans have trust in their Government by thoroughly investigating allegations of misconduct at the Department.

Chairman CRAPO. Thank you.

Dr. Falaschetti.

Mr. FALASCHETTI. Thank you, Chairman. If confirmed, my first goal is to provide FSOC and its member agencies with the firmly grounded and data-driven research they need to evaluate and address risks to financial stability. Fulfilling this goal is important for robust economic growth and taxpayer protections.

My second goal is to build out OFR's foundational work to strengthen market discipline by increasing transparency to financial transactions. Work toward this goal promotes financial stability and strengthened economic growth as well.

Chairman CRAPO. Thank you very much.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I want to talk about SEC enforcement. Mr. Roisman, you said something that did not exactly disturb me, but maybe piqued my interest. You said you wanted part of the role in this job is to dispel the notion that the financial system is rigged. That suggests you fundamentally believe the system is not rigged in any way. And when we see in this country banks making huge profits, getting a huge tax cut, especially the financial service industry, executive compensation from 2016 to 2017, the CEOs of the largest banks got a 22-percent raise on the average, and tellers still make $12.50 an hour—maybe a little bit more than that, it has gone up a tiny bit. Just as an important Government official trying to dispel the notion the system is not rigged I do not believe is the right way to look at that. So we need you to particularly be vigilant to make sure the system is not rigged against the middle class and against workers, because this Government clearly sings with an upper-class accent, and this Committee has collective amnesia about what happened 10 years ago, and it is pretty clear that the rich are doing better and better and better in this society, and the 80 percent of the rest of society has been left behind. So if that is not a rigged system, it is certainly a fundamental—there are fundamental problems in that system.

Let me talk, though, about enforcement. We discussed in our one-on-one meeting—and I appreciated your coming by—enforcement and the decline in completed cases and penalties. You mentioned individual responsibility. Is the SEC doing enough to hold bad actors responsible?

Mr. ROISMAN. I think it certainly—that is the role of the Enforcement Division, and I think, if I may, I would like to just give you

the kind of principles I have in terms of what strong enforcement——

Senator BROWN. Certainly, but let me ask a question to roll into that answer. Are the penalties meaningful enough to deter wrongdoers from violating the law?

Mr. ROISMAN. I do not know if the actual—I cannot tell you the amounts because I just do not have them in front of me. What I will say is I think it is important for the SEC, if they have rules on the books, to enforce them. You know, each case is on a facts and circumstances basis, and it is important to hold individuals and regulated entities accountable.

You know, I agree with what the Chairman has said, which is there is no place in our markets for bad actors.

Senator BROWN. Does the decline in enforcement cases bother you?

Mr. ROISMAN. I do not necessarily gauge the success of the program based on numbers. I think it depends on the type of cases and, you know, the impact certainly on recidivism. I would say the Commission has been focusing on retail fraud, which is important to root out, as well as what I would call "market integrity cases." If confirmed, I look forward to speaking to the staff about what else they are focusing on.

Senator BROWN. I am going to request that the GAO examine the reliability and transparency of the SEC's enforcement statistics. If you are confirmed, I hope you will commit to working with Members of this Committee and your fellow Commissioners to ensure that the SEC's enforcement statistics are reliable and transparent so we can answer that question that you, understandably now, are unable to answer.

Mr. Bright, welcome, a fellow Ohioan. In testimony before the House Financial Services Subcommittee on Housing and Insurance in November, almost a year ago, you said you "definitely were not walking away from the paper" you coauthored with former FHFA Director DeMarco that would greatly expand the role of Ginnie Mae. You said you believed in the conclusions in the model even more than when the paper was written.

Do you intend to continue to advance the proposal from your papers, including the proposals outlined in "Toward a New Secondary Mortgage Market", as the head of Ginnie Mae?

Mr. BRIGHT. No. I have a day job. And, in fact, the context of that answer was I think they kept asking me about housing finance reform, and I kept trying to talk to them about the day job of managing Ginnie Mae and, you know, said, "Look, I am not walking away intellectually from some of the conclusions here, but I actually have a day job to manage."

I will say that, you know, in my day job, as it relates to housing finance reform, to have an explicit Government guarantee, if that is where policymakers decide to go, you know, one thing I have definitely learned in the last year is that you do not just put an American eagle stamp on a piece of paper and wave a magic wand and how the explicit guarantee works. So to have investors buy it, to have investor acceptance, to make sure that that capital is there requires a track record and requires an administrative process to ensure that P&I moves on time, and that is what Ginnie does. And

I think that is really the heart of what I am saying in terms of I still believe in what Ginnie brings to housing finance reform if and when everybody gets to it. But that is not why I am here.

Senator BROWN. Briefly, Mr. Chairman. So you talked about your day job and walking away and you do not abandon your intellectual views. Do you still support the elimination of the affordable goals?

Mr. BRIGHT. For Fannie and Freddie?

Senator BROWN. The affordable housing goals that this Federal Government has stood for.

Mr. BRIGHT. I do not remember proposing completely getting rid of affordable housing goals. I think we have an affordability crisis in this country, and I am focused on using Ginnie to address it as much as possible. I think housing affordability continues to get away from us, and we need to have a comprehensive bipartisan approach to solving that.

Senator BROWN. But did your proposal not rescind the affordable housing goals without requiring that the new system would serve at least as many borrowers?

Mr. BRIGHT. That Ed DeMarco and I wrote? I think it—I know it had a Housing Trust Fund and a 10-basis-point strip. I think it retained a duty to serve. I think we were vague on the housing goals as far as, you know, the quantified way that they are using it now. But, I mean, I do not have a strong opinion right now actually on that. I have not thought about that paper in 2 years.

I believe that I——

Senator BROWN. Well, I think you have because that was 9 months ago that you testified, so you thought about it in November 2017 when you were asked about it.

Mr. BRIGHT. Well, listen, I am very focused on using the Ginnie Mae platform to support the vital FHA, VA, and USDA programs, and any other programs that Congress wants in our security to ensure that all Americans of all incomes and all geographies have access to an affordable mortgage.

Senator BROWN. And last statement, Mr. Chairman. I apologize. You do know this fact that 25 percent of renters in this country spend close to or more than half their income on housing——

Mr. BRIGHT. Yes, and I think it is a moral failing.

Senator BROWN. ——and what that means.

Mr. BRIGHT. I think we have to fix that.

Senator BROWN. OK. Thank you.

Chairman CRAPO. Senator Corker.

Senator CORKER. Thank you, and I thank all of you for your desire to serve our country in your nominated positions. I appreciate you being here.

I am going to focus a little bit on Mr. Bright. I am glad his family is here, and I do appreciate all the public service he has been involved in here, and he has worked with many, many people who are on this side of the dais.

You have effectively been running Ginnie Mae for the last year. Are there things that you have learned over this last year that, as the actual confirmed person, you would be able to overcome in this position, whereas over the last year you have been a place holder in many ways and not confirmed?

Mr. BRIGHT. Well, yes. For one thing, when we go global and we speak to investors, these are very high level meetings, and it would be nice to have the imprimatur of the U.S. Senate to say that they continue to support the Ginnie Mae program and they continue to have my—you know, I have their support when I go and I speak to heads of central banks, large pension funds, and regulators globally who buy our bonds. I mean, that is a big part of the job. I actually did not realize how big a part of the job that was. But the blessing of the Senate is a critically important piece of that because the fact—how the explicit guarantee works, the fact that it is legislative, it is not through some arrangement, you know, between Treasury and some other agency that could change, and that the U.S. Senate stands behind it, that does go a long way. So that would be very helpful, yes.

Senator CORKER. During your period of time here, there were numbers of attempts to try to do housing finance reform, and, again, you worked with people on both sides of the aisle. I know you used to convene staffers on both sides of the aisle and worked with many in a very constructive way.

Without getting into the weeds, what was it you learned during that process?

Mr. BRIGHT. Well, I learned, of course, that the market is very complicated and that having this Committee do a financial restructuring exercise is a very difficult thing. You know, I would say that the bill that we introduced in 2013 was 155 pages. It was the very first ever bipartisan comprehensive attempt at housing finance reform. I am proud of that as a starting point. We knew it was a starting point. We knew there was a lot that needed to be addressed. A lengthy process was undertaken subsequent, and it did not end up in a place that a lot of people liked. I was not part of, you know, the subsequent process after introduction, but I am proud of where we started.

I have learned that Senators can get up to speed very quickly on the technicals, and I think that that was impressive. But in the last 5 years, there are aspects of conservatorship that I think have proven a bit more durable than we thought. That does not mean it is ideal. That does not mean you all should not do comprehensive reform. I think that that is important. But there has not been a blow-up, and in 2013 people really were concerned what would happen. And in the last 5 years, I think housing affordability has continued to get away from low- and moderate-income Americans. And so if I were redoing the whole thing right now, I would start there.

Senator CORKER. And then as it goes into the future, assuming you are confirmed—and my sense is you will be overwhelmingly—what role would Ginnie Mae continue to play in housing finance reform?

Mr. BRIGHT. If Ginnie Mae is well-run, as I intend for it to be, and as it has been for 50 years, the process, as I said earlier, of ensuring that the explicit guarantee works, it is not pixie dust and a magic wand. It is an administrative process to track the payment of principal and interest from lenders through servicers into the bond administration platform and out to investors. And if there is a hiccup anywhere along the line, since the Federal Government has said this thing is guaranteed—in the case of Ginnie, $2 trillion

worth of bonds—then Ginnie's responsibility is to make sure that any shortfall is made up so that the investor gets their money every month on time. It is a very operationally intensive process. We do it well, and so I think leveraging those mechanics would be a very sensible thing to use going forward.

The other thing that Ginnie, I have learned, does is we are already written into the investor guides of global investors, so, you know, think pension funds in Japan, insurance companies in Germany, you know, they have different risk weightings for Ginnie versus other securities. To just stamp, say, you know, conventional loans are going to have a guarantee, it would be at least a decades-long process of going around and explaining to everybody how that one would work; whereas, our process is proven in terms of the remittance of P&I and the brand acceptance. So I would advocate for leveraging that. And I do think that that is really when I was, you know, continuing to stand behind the paper that Ed and I wrote, that is something that we learned in between 2013 when we introduced that first bill and now.

Senator CORKER. And just to close on that note—my time is up, but I know there was some ambiguity in the affordable housing piece. But the fact is there were more resources than ever going to be allocated under both revisions, both bills, both the one in 2013 and the one that was recently written. There would have been more resources toward affordable housing by far than there is today. Is that correct?

Mr. BRIGHT. Yeah, I mean, I hope so. That was the idea. I would say that, you know, part of the think tank and legislative process is not that you just put your ideals down on paper, like if I had a magic wand and could redo the world, this is how I would do it. It is trying to say, you know, if someone has this principle but we also need to solve this problem, how do you solve it? And these were all attempts at doing that. But at its core, I think that continuing to solve affordability is critical, and the interest rate piece is only one component of it. We have a lot to solve.

Senator CORKER. Sorry. I thought I was going to get a "yes" answer.

Mr. BRIGHT. Yes.

[Laughter.]

Chairman CRAPO. Senator Reed.

Senator REED. Well, thanks very much, Mr. Chairman, and thank you all for your willingness to serve.

Mr. Roisman, we had a very good discussion about cybersecurity, which is probably one of the most critical issues we face. As you know, along with Senators Collins, Warner, and McCain, I have legislation that would have a simple disclosure rule, and I can tell you, we would not be offended if you stepped in and by rule at the SEC adopted this. So feel free, OK? But, basically, this I think is the most serious issue systemwide we are facing. Can you just very briefly comment on how critical it is to get something like this disclosure on the books at the SEC?

Mr. ROISMAN. Thank you, Senator, and thank you and Members of this Committee for raising this important issue. I think you have held several hearings talking about the importance of cybersecurity and the importance of revisiting these esteemed rules that the SEC

has, whether companies are appropriately disclosing their cyber-risk profiles and risks to investors, and I think it is critical that the SEC continue to monitor what the cyberdisclosures are as well as the cyberprotections at regulated entities. And if confirmed, I look forward to working with you and others to see whether any additional changes need to be made.

Senator REED. Well, I would just point out that there are some companies, in fact, many companies that have stepped up. But the problem is it is the ones who are not, they are the most vulnerable typically or the least aware, and that is where the acts of attack usually take place. So I would urge you to have your colleagues move more aggressively on this front, in fact, adopt it as a rule before we get around to legislation. That would be very good.

Mr. Bright, thank you for your service. Back in that 2016 paper, you suggested that Ginnie Mae be spun off from HUD independently, which would deny HUD resources that they use for community development block programs. Do you still hold to that position? If so, how do we make up the difference in terms of funding?

Mr. BRIGHT. Thank you. I have actually been surprised at how good the working relationship has been between Ginnie and HUD. When we had this idea of leveraging the Ginnie Mae brand to operate as the explicit rep, there were a lot of people who said, "Oh, you got to get out of HUD. You got to get out of HUD." These were people who had worked at HUD and Ginnie just recently at the time. And so we kind of took that as, you know, word and did it.

I do not think that that was necessary. I think that what is necessary or what would be helpful would be a little bit of additional flexibility on Ginnie's part in terms of how it allocated its salary and expense resource. I am not saying more funds. I am just saying a little bit of flexibility for—you know, we have some very technical, competent employees who literally leave and go three blocks down to FHFA, and that is a problem that we have that we have to solve. But we do not need to go as far as we thought we did from the outside.

Senator REED. Thank you.

Ms. Davis, just let me thank you for your professional service in so many different roles and the integrity you bring to your efforts. Thank you very much.

I have limited time. Dr. Falaschetti, OFR was created to be analytical and apolitical, not political and ideological. And you have been vested personally as the Director with great independence. The language of Dodd–Frank: "The Director shall have sole discretion in the manner in which the Director fulfills the responsibilities and duties and exercises the authorities describe in this subtitle." So I wanted to emphasize that to you.

In fact, frankly, having been here with my colleagues present at the creation, as they would say, the hope was that OFR would be such a powerful analytical office with the strength to speak truth to power that you would be able to tell us where the next crisis is coming before it comes, not like 2006 and 2007 and 2008 when we found out about it when we read about it in the newspaper.

So, just quickly, what are the one or two areas you think are the weak points right now and that you will explore comprehensively when you are there?

Mr. FALASCHETTI. Well, Senator, thank you for that question, and thank you for your work on OFR from the very start. I very much appreciate it, and I think it plays an important role in our economy.

If I am confirmed, I can commit to, you know, throughout my career in academics, that is, to have data-driven, firmly grounded analytics. You mentioned 2006, for example. We were discussing some risks to financial stability at the Council of Economic Advisers in 2006, and I see that as—the fact that—well, there were other economists at the time, prominent economists at the time. You may recall Raghu Rajan, for example, in the 2005 Jackson Hole conference, really, you know, called out what ultimately happened. And so the question is: Why didn't people listen? And that is where I see the power of OFR. It is a central place that is relying on firmly grounded research, data-driven. Theory does not always give you the answer. You need to look at the data to get those kinds of answers. And independent—the research is independent. You crafted it to be independent. It is a 6-year term, and it has that independence for the research task that it was given.

Senator REED. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman.

Mr. Roisman, first of all, thank you for taking the time to visit with me in my office. As you will recall, we discussed the future of the fiduciary rule. I believe we both agreed that this rule was not originally intended to have been promulgated by the Department of Labor, and the Fifth Circuit Court of Appeals basically agreed, vacating the rule in June.

In April the SEC proposed Regulation Best Interest, its proposal to address the fiduciary standard for broker-dealers providing investment advice to retail customers. Can you discuss your views on what a proper fiduciary standard should look like?

Mr. ROISMAN. Thank you, Senator. As you noted, there is a proposed rulemaking, so I have got to be careful just not to prejudge, but I would like to try to answer your question as well as I can.

I think, first of all, it is important for the SEC to have acted, and I think it is important also, now that they have a rulemaking out there, for interested parties to come meet with staff and Commissioners, and if confirmed, I would look forward to doing that as well as reviewing the very lengthy comment file, because they are going to be able to tell you what they got right and what could be improved. And I think generally it is important to think about things, whether the rule is appropriate, things such as ensuring access to financial advice as well as do investors understand the nature of the relationship with the financial service provider, including the conflicts, how those are addressed or mitigated, and obviously investor protection.

I think another critically important thing to consider is whether the rule is business model neutral, meaning that the SEC is not picking winners and losers, and preserving investor choice and different types of services for consumers.

Senator ROUNDS. The concern that many of us had with the fiduciary rule was that in demanding a certain level of professional advice and limitations, it was restricting the number of individuals who could actually offer services to clientele with smaller amounts of money to invest. Can you talk a little bit about the need for those small investors to have access to the equity markets?

Mr. ROISMAN. I think it is critical, Senator. There is a large discussion about the retirement crisis that is looming, and in many areas there is only a set amount of financial services providers, and it is important to, you know, maintain the ability for people to get access to that.

Senator ROUNDS. I think that is kind of the critical issue that many of us had, isn't it, the fact that the fiduciary rule made it very, very expensive for those individuals with small sums, yet very important sums, to be able to get access to the equity markets? Isn't that really behind a lot of the concern that was expressed with the fiduciary rule?

Mr. ROISMAN. Yes, I believe so.

Senator ROUNDS. OK. Thank you.

Dr. Falaschetti, as you know, the Office of Financial Research, or OFR, has been the target of some criticism since its creation as a part of Dodd–Frank. The OFR has been accused of undermining consumer privacy by collecting data on the financial transactions of millions of Americans, being unaccountable to the Treasury and the Government as a whole, and not having any notable achievements.

What do you believe needs to be done to make the OFR perhaps more accountable and yet maintain its independence with regard to accurate data?

Mr. FALASCHETTI. Thank you for that question. As you know, the staffing levels and the budget is a conversation between the Director and the Treasury Secretary, so that is not independent. What is independent is the research—how do you carry out the research in service of the FSOC as well as long-term priorities for financial stability.

And in terms of the privacy, you know that OFR has subpoena power, for example, and just asking for that information, I mean, that is a lot of power. You can just walk in and say, "We want X, Y, and Z." And I think back to when I was in corporate finance and financial accounting where we had subsidiaries, we had businesses that were very different from each other and had different scales and different businesses, and we would see similar problems at these various businesses. But we would tailor the solution to their business model, and I think that is what needs to be done so that we do not create undue costs for financial services. My opening statement highlights how important it is for especially young families, community bankers. It is critical for those financial services to be affordable, and as you know, the funding for OFR comes from the banking sector.

Senator ROUNDS. Thank you. My time has expired. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Congratulations to all of you on your nominations.

Mr. Roisman, I understand that you served as counsel to former Commissioner Gallagher, and I would like to ask you about enforcement. I think we can all agree that the SEC functions best with a strong Enforcement Division that stays ahead of the markets. Unfortunately, over the last 18 months, the SEC has taken steps to undermine its enforcement capabilities.

In 2009 former Chair Schapiro expanded the investigative authorities of senior officials in the Enforcement Division, a critical post-crisis policy designed to assist the SEC in initiating investigations and going after the bad actors that ravaged investors and our economy.

Last year former Acting Chair Piwowar revoked this substantial and investigative authority and limited it to the Director of the Enforcement Division, a decision which Chair Clayton has upheld.

Since you were at the SEC when this stronger enforcement policy was in place, was this policy problematic, in your view?

Mr. ROISMAN. Thank you, Senator. I am not sure I can answer that question since ultimately my role in determining the strength of the Enforcement Division was not something I was focused on. I did work on reviewing enforcement matters. I think this is just a concern folks have had in terms of employees just having the ability to issue subpoenas when there may be things like—there is an ongoing investigation in another office. So, for example, one of the benefits, I think, of having it at the Division Director level is they have line of sight into all enforcement cases. So——

Senator MENENDEZ. Well, let me ask you this: Do you think that the SEC's enforcement staff abused the rights that they had, the investigatory authorities?

Mr. ROISMAN. I did not see that.

Senator MENENDEZ. Do you agree with the policy change of revoking investigatory authorities from senior enforcement analyst?

Mr. ROISMAN. I do not know if I can speak to that. I can say I think there is merit in having it at senior officials, and one of the reasons I said is they might have line of sight about different enforcement cases. Also, there have been—when you have it at this Director level, you have the ability to have people who have issued or authorized subpoenas in multiple cases, and they know when it is appropriate or not.

Senator MENENDEZ. Well, that could be done in a senior investigatory—I mean, that is just a procedural safeguard that could be institutionalized, right? I am just wondering how limiting the authority to initiate and formalize investigations better protects investors and deters misconduct?

Mr. ROISMAN. I guess what I would say is, if I am confirmed, what I would look forward to is talking to the SEC staff and Commissioners and see if they felt that this has inhibited their ability to investigate or bring cases.

Senator MENENDEZ. Let me ask you this: Senator Akaka and I worked to include Section 913 of Dodd–Frank that authorized the SEC to require broker-dealers to act in their clients' best interests. In simple terms, after seeing so many hardworking families duped into investing in products that lined the pockets of their brokers

but did little to help them prepare for retirement or send their kids to college, we felt it was both common sense and past due time to require brokers to put their customers' interests instead of their own.

Despite a 2011 SEC study recommending a uniform standard of conduct for brokers and investment advisers, the SEC's recent proposal fails to establish a uniform standard of conduct for broker-dealers and investment advisers and puts the burden on the customer to understand the difference between brokers and investment advisers, ignoring the SEC's own findings.

So why should customers have to bear the burden of trying to decipher the complex legal relationships to understand whether they are making good investment decisions?

Mr. ROISMAN. So, Senator, I note there is a pending rulemaking, and I am going to try to answer your question, but I need to——

Senator MENENDEZ. I did not ask you about the rule. I asked you about the greater view.

Mr. ROISMAN. OK. So the greater view in terms of whether there should be a fiduciary standard that is uniform for investors?

Senator MENENDEZ. Yes.

Mr. ROISMAN. So I think it is important for there to be investor choice in different types of services provided to investors, and I think it is important for investors to understand the nature of the relationship with a financial services provider. And I think one of the things that has been talked about in the debate for a long period of time is ensuring that, you know, if there are conflicts, that they are addressed. And I think whatever the SEC ultimately does or whatever the agency does, I think that is critical.

Senator MENENDEZ. Mr. Bright, last, housing finance. I read your most recent paper on this topic, and I just want to say that reading it, to generate funding for affordable home ownership and rental options, you propose a 10-basis-point user fee on all mortgages securitized in a new system, an idea that others have floated as well. But under your proposal, that fee would not even be available to support access and affordability until a certain reserve threshold had been met. Is that right?

Mr. BRIGHT. I think that that may have been right. Honestly, I have not read it in a couple years.

Senator MENENDEZ. OK. Well, it is your paper. How long under your proposal do you think it would take to meet the threshold requirement?

Mr. BRIGHT. So I believe that the current regime would have stayed in place during this time, and it would have taken maybe 5 years to build that up, and then the additional funds would start kicking in at that point.

Senator MENENDEZ. Well, some say it takes 10 years under your proposal, which would make zero contributions to promote and fund affordable home ownership and rental options for a very long period of time. So I am not sure if you are still committed to this view, but it would be concerning to me, as someone who is concerned about affordable home ownership.

Mr. BRIGHT. I share your concern about affordable home ownership. I am not in any way here to advocate for anything in that paper. I am here to run the Ginnie Mae program so that we can

continue to support FHA, VA, and USDA programs in as affordable a manner as possible. I agree with you we have an affordability crisis in this country. I am your partner in helping to solve that.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman CRAPO. Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman.

Mr. Bright, the National Flood Insurance Program is going to expire July 31st. If Congress allows it to expire, how will that impact Ginnie Mae's ability to guarantee mortgages?

Mr. BRIGHT. So we saw with the hurricanes last year that if properties are not in conveyable condition, then the servicer has difficulty filing a claim with the FHA. If and when that were to happen en masse, it would put pressure on the issuers. They could go insolvent. Then that puts Ginnie Mae at risk. So we certainly want and need homes to be conveyable, and if there is an insurance problem, which means the servicer and the homeowner had difficulty getting the property into conveyable condition, that absolutely has downstream pressure on Ginnie Mae.

Senator KENNEDY. If a homeowner is required to carry flood insurance and he declines, Ginnie Mae is not going to guarantee the mortgage, is it?

Mr. BRIGHT. If they are required to?

Senator KENNEDY. Yes.

Mr. BRIGHT. Yes, you need to follow all program guides. Those are set by the FHA.

Senator KENNEDY. But Ginnie Mae is not going to guarantee the mortgage.

Mr. BRIGHT. That is correct.

Senator KENNEDY. How does the FHA and Ginnie Mae ensure that flood insurance is kept in effect throughout the life of the mortgage?

Mr. BRIGHT. That is an FHA oversight responsibility, and at the time that a claim is filed, the FHA makes sure that everything has been in order.

Senator KENNEDY. They do at the time of the closing, but how about on a continuing basis?

Mr. BRIGHT. Actually, I am sorry. I do not know. I will find out, though.

Senator KENNEDY. OK. Would you and let me know?

Mr. BRIGHT. Absolutely, sir.

Senator KENNEDY. I think you are going to find out it is not going to be a long exercise. They do nothing.

Mr. Roisman—am I saying that right?

Mr. ROISMAN. Yes, sir.

Senator KENNEDY. You want to be on the SEC. Is that right?

Mr. ROISMAN. I do, Senator.

Senator KENNEDY. You are going to regulate the Municipal Securities Rulemaking Board. Is that right?

Mr. ROISMAN. That is correct, sir.

Senator KENNEDY. My understanding is the MSRB sort of self-regulates the municipal securities market.

Mr. ROISMAN. Yes, Senator.

Senator KENNEDY. OK. Kind of like Congress regulates itself.

Mr. ROISMAN. Slightly different. The SEC has oversight of all self-regulatory organizations, including the MSRB.

Senator KENNEDY. All right. There are 21 members of the MSRB. Eleven of them are supposed to be public members; ten of them represent regulated entities. These public members, what does that mean? They represent the public, the consumer? Are they consumer advocates?

Mr. ROISMAN. I apologize, Senator. I am not familiar with their rules in terms of how you define "public."

Senator KENNEDY. Well, let me tell you the problem, and Senator Warner and I have a bill to try to help with this. They are supposed to represent the public, and I am not saying they are not good people. I am just saying the whole thing is incestuous. If you go look at their resumes, they are all—well, for example, these are the folks representing the public. One is a former managing director at Nuveen. The other one is a former executive director at JPMorgan. The other one is a former managing director at Artemis Capital. Another one is a former head of Vanguard's long-term municipal bond group. I am not saying they are not good men and women. I am just saying they are insiders who are representing the public.

Do you know how the board is picked?

Mr. ROISMAN. I do not, Senator.

Senator KENNEDY. I will tell you how it is picked. I am glad you asked.

[Laughter.]

Senator KENNEDY. They pick themselves. It is a little club. And so when they need to add members, they all get together and decide who they want. It needs to be changed. It needs to be fixed. These folks regulate the entire municipal securities market. And I am not saying they are not all fine people. Some of them are friends of mine. Some of them are probably going to be former friends of mine. But it is a club, and it is incestuous. And I cannot figure out who on the thing really represents consumers.

How is that for a bill? What do you think about that? Keeping in mind you are not confirmed yet.

[Laughter.]

Mr. ROISMAN. Given that it may require an SEC rulemaking, I do not want to prejudge the issue. But I understand your point, and I want to answer your question, which I think it is important for investors to have confidence in self-regulatory organizations, and this is something that many Commissioners have talked about. There needs to be greater accountability and transparency, and I am for that. I would be happy to work with whoever is interested to kind of further that discussion.

Senator KENNEDY. OK. Thank you.

Chairman CRAPO. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman. Thank you, Ranking Member Brown. And, once again, congratulations to all of you for your nominations.

I am going to start with you, Mr. Roisman. This is not a document that you wrote. This is a document that, if you get confirmed, one of your fellow SEC Commissioners wrote—Ms. Peirce. The piece is entitled, "Laws against insider trading come with great

cost," and in that is a quote that says—and I had to read this about six times to make sure I was reading what I said from an SEC Commissioner, but it said, "Depriving the markets of the most informed traders harms market quality. The stock market would look a lot like a lottery if traders possessing nonpublic information had to wait for every other trader in the market to acquire the same information before trading."

That was said by an SEC Commissioner that you will serve with if you get confirmed.

Ranking Member Brown talked about your statement about it appears that the system is rigged against the little guys. Would you agree with Ms. Peirce's perspective? And I do not want to pitch against Ms. Peirce, but it is a pretty amazing thing said by a SEC Commissioner, in my book.

Mr. ROISMAN. Senator, I need to kind of—I do not have the context, and I appreciate hearing it at this time.

Senator TESTER. Well, basically, let me ask you this: Would you agree with the statement that said that traders possessing nonpublic information should not have to wait until every other trader in the market for the same information?

Mr. ROISMAN. I do not want to be technical, but let me try to give the quick answer and then the longer answer so I am addressing your concern. I think what she was maybe saying is that there needs to be a certain duty under insider trading laws when you trade. But I think to your point, which I think we can all agree is—if people are using material nonpublic information to line their pockets at the expense of other investors when there are, you know, rules and regulations and laws prohibiting it, it needs to be quickly addressed and, you know, appropriate sanctions need to be taken.

Senator TESTER. OK. And people need to be held accountable.

Mr. ROISMAN. Absolutely.

Senator TESTER. Would you oppose then any weakening of insider trading rules and regulations?

Mr. ROISMAN. I would not, Senator.

Senator TESTER. You would not oppose——

Mr. ROISMAN. I would not oppose weakening any insider trading—I would like to keep the insider trading law as vigorous as it is.

Senator TESTER. OK, good. Yes.

Mr. ROISMAN. I got caught in a double negative.

Senator TESTER. That is all right.

[Laughter.]

Senator TESTER. Wow. That is good. Thank you.

Mr. Bright, when did you start as Acting Director?

Mr. BRIGHT. Twelve months ago.

Senator TESTER. Twelve months ago? When did you bring action against the bad actors that you spoke about, the folks that were refi'ing veterans and misleading veterans?

Mr. BRIGHT. We started about 10 months ago.

Senator TESTER. Ten months ago. So you were on the job for 2 months. Were the sanctions permanent?

Mr. BRIGHT. Yes. I mean, the new rules that we have are absolutely permanent, especially now——

Senator TESTER. OK. So the actions you took against the bad actors who were charging more than—are permanent. Those guys are not going to be allowed in no matter what they do moving forward?

Mr. BRIGHT. They need to materially completely change their business. I mean, they are on the outs, yes.

Senator TESTER. OK. Thank you. And I would——

Mr. BRIGHT. And they are big.

Senator TESTER. Yeah. That is good. I would just commend you in that. Look, Michael, we had a chance to work together when you staffed with Corker, and I appreciate what you do, and the fact that you were on the job for 2 months and pulled the trigger is a very, very good thing.

Mr. BRIGHT. Thank you, Senator.

Senator TESTER. Thank you.

Ms. Oliver Davis, you have an incredibly important role as IG of HUD. I guess the first question I have is: Who do you work for as IG of HUD?

Ms. DAVIS. I work for the American people, sir, and I report certainly to the Secretary but without direction and also to the Congress.

Senator TESTER. OK. And so your independence is something that you very, very much respect?

Ms. DAVIS. Oh, certainly it is. With my 10-year career in the IG community, that is all I know.

Senator TESTER. OK. So if somebody—let me go to a previous question here. If you guys were following a course that found that folks at HUD were not applying the rules on flood insurance, what would you do?

Ms. DAVIS. Flood insurance.

Senator TESTER. Flood insurance on loans, if they were required and they were not being followed after the fact, do you have the ability to do that?

Ms. DAVIS. Senator, I am going to have to study the flood insurance issue a bit. I will tell you we are always looking for FHA in particular with their practices to make sure they are benefiting borrowers. We are always looking at the risk management aspect of things, too, to make sure that HUD is being a good steward of the funds. But I do not have as much familiarity with flood insurance.

Senator TESTER. It is OK. I think the basic question here is that, if Senator Kennedy is correct, and we have lenders out there that are required to have flood insurance and they do not, there ought to be some sort of watchdog. And it would seem to me it would be the IG.

Ms. DAVIS. I would be happy to look into that, sir, and be a resource to the Committee on this. If there is something that is not benefiting borrowers, something that is not being done correctly, or if it is not good for the platform, we certainly want to know about it.

Senator TESTER. OK, good. I just want to say thank you all very, very much. My time is up. Thank you.

Chairman CRAPO. Thank you.

Senator Warren.

Senator WARREN. Thank you, Mr. Chairman. And thank you to the nominees for being here today.

Mr. Bright, I want to thank you for your work over the last year at Ginnie Mae on VA loan refinancing. I sent you a letter last September expressing my concern that certain lenders were pressuring veterans to refinance their VA loans over and over, which generates lucrative fees for the lenders but hurts both the veterans and the taxpayers who help back up these loans. And in response, you set up a task force with the VA. You took quick action to hold some of the worst offenders accountable. You also worked with me and with Senator Tillis on our bipartisan bill to address this problem. I appreciate that, and I think that is exactly the kind of leadership we need at Ginnie Mae over the long term. And I look forward to supporting your nomination. So thank you for your work. I hope you see that it pays off here.

Mr. BRIGHT. Thank you, Senator.

Senator WARREN. You bet.

Mr. Roisman, in my remaining time, I want to ask you about the conflicts of interest in the brokerage industry. As you know, these conflicts cost American families billions of dollars every year, draining their hard-earned savings.

Now, in April the SEC proposed a rule that is supposed to address this problem. I have some serious concerns with the proposal, and I think it will not come close to eliminating the conflicts that hurt American families. I suspect that if I ask you to weigh in on the proposal, you are going to do what you just did with Senator Tester, and you are going to say you do not want to prejudge the issue. So what I am going to do is I am going to ask you some general questions that will help us all get a sense of your views on the issue, and I hope we can get some real answers unlike the ridiculous and insulting performance we saw from the CFPB nominee last week.

So let me start here. In certain fields we simply prohibit conflicts of interest. If you are on Medicare, your doctor cannot get kickbacks from drug manufacturers in exchange for prescribing their drugs. Your lawyer cannot represent the opposing part in a lawsuit. So why should your broker be able to have serious conflicts of interest like receiving monetary rewards or other perks for recommending certain investments, even if those investments are not in the customer's best interest?

Mr. ROISMAN. So I think I view this through the lens of—well, first of all, I think the SEC has traditionally been a disclosure agency, and one of the things that you try to do is provide information to investors so they can make informed decisions. And I think it is important for them to have adequate disclosure and understand the nature of the relationship, including how conflicts of interest exist and how they can be addressed.

Senator WARREN. Mr. Roisman, that is not my question. My question is—it does not make any difference what disclosure you give. Your doctor cannot prescribe drugs in order to get kickbacks from drug companies. Your lawyer cannot represent a party on the other side in order to get double payments. The question I am asking is: Why should your investment adviser be able to get a kickback from a company for recommending a particular product that

is not the best product for you? I just want to understand why that should ever be permitted.

Mr. ROISMAN. So I would have concerns if someone is providing you a product that incentivizes themselves over that of the customer.

Senator WARREN. You would be concerned. So do you think sometimes they should be able to do it and sometimes not?

Mr. ROISMAN. I would have to—I would like to speak to the people who, A, receive advice as well as provide it to have a better sense of what is actually happening in this space.

Senator WARREN. Well, we know what is happening in this space. We know that American families are losing more than $17 billion a year because they are put into products that were not in their best interest. That $17 billion kind of sounds like a good starting point, and I am still not hearing an argument from you about why that should ever be permitted.

You know, in 2013 the SEC put out a study on investment advice that said, "In the interest of increasing investor protection and reducing investor confusion, the staff recommends that both broker-dealers and investment advisers should be held to a uniform fiduciary standard." A fiduciary standard, as you know, would require brokers to owe a duty of loyalty to their clients, meaning they do not get to put themselves first, no conflicts of interest.

Do you agree or disagree with that recommendation of the SEC staff?

Mr. ROISMAN. So I am familiar with the recommendation. I am also familiar with some of the—it was not an universally agreed upon view regarding that report or recommendation by the SEC Commissioners at the time. In fact, I think the——

Senator WARREN. I am not asking you how many other people agreed or disagreed. I am asking if you agree or disagree.

Mr. ROISMAN. Sure.

Senator WARREN. You are the one who is trying to get this job.

Mr. ROISMAN. Agreed, and I am going to try to answer again. This does kind of feed into the proposed rulemaking, and I am keeping an open mind. But what I do think is important is part of what the SEC staff even acknowledged in the report was that there was investor confusion, and it is important to maintain access to financial advice for most people.

I know this is something you care passionately about, and you have talked about raising the bar so everyone has the same obligations to it. The concern I have had is, you know, first of all, I think the system currently works where we can all acknowledge—at least I hope we can acknowledge the amount of people who are doing wrong is small. We need to get them out, but it is not an entire industry.

Senator WARREN. The dollar damage we can also acknowledge is somewhere north of $17 billion every single year. I think there are a lot of American consumers who would not call that "small."

Your witness is going long here, Mr. Chairman. I just—look, I just want to make the point here. The SEC has a proposal that is not tackling the central problem, and the central problem is nobody should be allowed when they are a broker to put their own interests ahead of the interests of the client. That is bad, and it is bad

for American consumers. And the notion that somehow, oh, there will be a disclosure back on page 5 buried in fine print and tangled up in legalese and somehow people waived it does not work. And we know it does not work. And in other areas, we just say, "You do not get to do that." We do not get to say, "If you have got good lawyers, you can do it." We say you flatly do not get to do it. That is the position I want to see the SEC in. Your job is not to take care of the cheaters. It is supposed to be to take care of American investors.

Chairman CRAPO. Senator Shelby.

Senator SHELBY. Thank you, Mr. Chairman.

First, I want to thank Mr. Roisman for his service to this Committee. When I was Chairman of the Committee, he came on. He served the Committee, I thought, and the Nation well. Under the chairmanship of Senator Crapo, he has now become the Chief Counsel of this Committee, which is an honor in itself and shows a lot of respect and also a lot of confidence by the Chairman and other Members of the Committee. You have a wonderful background, education, and experience before you came here.

I am here to support all of the nominees. I have some questions, Mr. Roisman, and I will start with you. I have believed always that our financial regulators should conduct thorough cost-benefit analysis when writing rules. What is your view on that, not just the Securities and Exchange Commission but the Federal Reserve, the FDIC, and so forth? What is your view?

Mr. ROISMAN. Thank you, Senator. I think cost-benefit analysis is a critical tool for all agencies. It enables them to determine what the costs and benefits of every rule are and then hopefully tailor to maximize benefits and minimize costs. It also provides an ability for the general public to have an understanding of how the agency came to its conclusion, thereby, you know, able to question the assumptions or conclusions and improving the overall rule. In many ways this is just what we were asked in math class to do, which is show our work.

Senator SHELBY. What ways could some of these rules, cost-benefit rules, be implemented by the Securities and Exchange Commission, assuming you are confirmed and a member of the Commission?

Mr. ROISMAN. So if confirmed, I look forward to working with the Division of Economic Analysis to see what could be improved. There are several Commissioners, Commissioners Peirce and Jackson, who have already talked about the importance of that division and the data that it provides, and I think as the SEC goes forward on rulemakings, it is important for them to continue to have a robust economic analysis.

Senator SHELBY. Your background, Mr. Roisman, you are an expert in securities law. Once confirmed, what will your priorities be as a Commissioner? And in what ways do you believe our capital markets can be strengthened to make it better and access to everybody?

Mr. ROISMAN. I would say some of the priorities would be furthering the SEC's mission, promoting investor confidence both in the markets and in the SEC. In terms of capital formation, I would look to see how we can promote responsible capital formation and

improving the secondary market liquidity for smaller companies and less liquid stocks. And what I said, I think a little inarticulately, previously what I tried to say was it is important for the SEC to hear from folks that may not make it to Washington, and they provide a valuable perspective on what the SEC is doing right and what could be improved. And things like the Small Business Advocate, which, you know, Congress passed and I hope will be filled very soon, will serve a critical role in that.

Senator SHELBY. Have you thought about what ways the SEC could make it easier for small- and medium-size business to access capital? Which I think is so important for job growth in this country.

Mr. ROISMAN. I think it is important—so there have been a few studies and roundtables that the SEC has conducted about this, and I think it is important for the SEC to actually, as I said, go out there to States and talk to the folks who are trying to build their businesses. But I think, you know, potentially looking at things like reviewing crowdfunding and Reg A offerings and things that, you know, lend themselves to smaller companies would be very helpful.

Senator SHELBY. I will shift a little bit to Mr. Bright. Mr. Bright, you also have great experience in the private sector as well as the Government. What do you think will be your biggest challenge as President of Ginnie Mae?

Mr. BRIGHT. Thank you for the question. I think that it is possible that—you know, this credit cycle objectively has been running for a long time. Credit cycles do not run forever. So since I am paid to worry, the thing that I worry about is that the credit cycle run its course at a time when interest rates have already bottomed out and hit historical lows and so interest rates start to creep up. If both of those things happen at the same time, it could put a substantial amount of liquidity stress on our issuer base, especially nonbank issuers. I think nonbanks——

Senator SHELBY. Explain what you mean by this.

Mr. BRIGHT. In the Ginnie program, the issuer is a nonbank company. They are responsible for making principal and interest even if the borrower does not until they file a claim with the FHA. There is a multiple-year lag sometimes there. In that case they have to have liquidity to refund the P&I, and if they cannot, Ginnie has to step in on their behalf.

Historically, when delinquencies go up, interest rates come down, and so you have a little bit of stress on the servicing side as a company. But you make up for it with some revenue from new originations, because you have kind of a refi boom. I think we could be entering a period where that is not the dynamic that we have, where you could have a little bit of stress in the rate in the form of higher delinquencies, but you do not have this refinance opportunity to generate a bunch of revenue. And we need to make sure that our issuers can withstand that type of stress.

Senator SHELBY. Would you just explain to the Committee and the people the difference, if any, between Freddie Mac, Fannie Mae, and Ginnie Mae? And are you competing in the market for similar stuff?

Mr. BRIGHT. I do not look at it as a competition for market share at all, to be clear on that. Ginnie is an explicit Government agency that actually has a complementary but different role in some ways than what Fannie and Freddie do. Fannie and Freddie are master servicers. They are issuers of their own security. They do bond administration for their own security. And they do not have an explicit guarantee. They have a PSPA with Treasury. We oversee with an explicit backing of the Federal Government the process of making sure that P&I moves where——

Senator SHELBY. Explicit backing, isn't it?

Mr. BRIGHT. Explicit backing.

Senator SHELBY. As opposed to implicit.

Mr. BRIGHT. That is correct.

Senator SHELBY. And what is the size of your portfolio?

Mr. BRIGHT. Two trillion dollars.

Senator SHELBY. Two trillion dollars. Do you feel confident that the portfolio is in pretty good shape right now?

Mr. BRIGHT. Well, I never let myself feel confident about anything. I am supposed to worry, so I do. But we are building a lot of infrastructure right now to keep up with the pace of growth, and I know that these are the right tools to be building. So we are doing a lot of monitoring on all of our issuer base. We are doing a lot of technology modernization. We are doing a lot of outreach. We are instituting stress testing; we are instituting living will requirements. These are a little bit different than the banks, but similar analogy. We are instituted a new risk committee. We are after this as much as we can.

Senator SHELBY. Thank you.

Thank you, Mr. Chairman.

Chairman CRAPO. Senator Heitkamp.

Senator HEITKAMP. Thank you. Michael, there is no way denying that that is your son, by the way.

[Laughter.]

Senator HEITKAMP. He looks just like you. He is even more handsome because he has red hair.

[Laughter.]

Mr. BRIGHT. Has he been quiet?

Senator HEITKAMP. But you are boring him, I have to tell you. He has been rolling his eyes and putting his head down. But I just want your son to know what an important job his Dad is applying for and what a good job he has done so far.

I want to build on Senator Shelby's line of reasoning on nonbank mortgages. Obviously the IG has issued a report that concludes that Ginnie has not done enough to respond to the changes in its issuer base. Just to give the context of this, in 2013 banks originated 70 percent of all new mortgages. This year nonbanks issued 60 percent, and you see the ads over and over and over again.

Mr. BRIGHT. Yes.

Senator HEITKAMP. So we are really concerned about how that—you talk about things that you should worry about. I think this is something you should worry about.

So I just have a couple questions, maybe more open-ended than what they should be, but, number one, do you have enough resources to conduct oversight? In terms of volume, do you feel con-

fident that you are properly equipped to handle a portfolio that is three times larger than it was in 2007? And what additional resources, if any, would you recommend in order for Ginnie to more effectively carry out its oversight, especially in the context that Senator Shelby just talked about, which is that this is an explicit guarantee?

Mr. BRIGHT. That is right. Thank you very much. So the number one challenge that I have in managing these employees is that we have a pay scale and a hiring process that is different than similar regulators and different than Fannie and Freddie.

Senator HEITKAMP. How do you fix that?

Mr. BRIGHT. We need a legislative solution. So we are in law required to—you know, we have limitations on compensation. Our funds are appropriated, but we can work with that. It is just that we have very talented, technically skilled employees who can go three blocks down to the street to the FHFA for $40,000, $50,000 more, and that has happened three times since I was senior manager, since I got here. They can go to Fannie or Freddie, which is a totally different set of compensation scales. They can go to the OCC, they can go to the Fed, who also has MSR risk management oversight.

So these are technical skills, and I have no ability to kind of reward and retain that type of talent.

Senator HEITKAMP. So that is one thing that we could do, is help you retain talent. What else are you going to do to buildup the expertise in the agency?

Mr. BRIGHT. So we procured a few contracts to begin the process of stress testing our issuers. The procurement process is lengthy. Again, other regulators with similar challenges have some freedoms that we do not have. I am talking about, you know, just getting all the approvals and that process itself. It takes a little bit longer as a pure Government agency to do that. So there are some legislative solutions, if you are interested, that I would be happy to share on that.

I do want to say that the Ginnie folks are incredibly talented and dedicated.

Senator HEITKAMP. I do not think anyone should take any of your comments here to mean that you are working with people who are subpar.

Mr. BRIGHT. Thank you.

Senator HEITKAMP. I want to just share Elizabeth's support. I think you have done a great job since you have been there. We are grateful that you are willing to take this on.

Mr. Roisman, one of the things that we have worked on over the years has been small business, and you know that I feel very strongly about small business advisory within that securities frame. And I think you mentioned in your comments the Small Business Advocacy Act. We have yet to get a nominee. What can you do to help us to make that happen, assuming you are confirmed?

Mr. ROISMAN. Thank you, Senator. I think it is a critically important position at the SEC, and you have said it before and I agree with it. There is a potential for them to be too small to succeed. I personally hope that the position will be filled by the time I am

confirmed. But if it is not, I would be happy to work to try to get that filled as expeditiously as possible.

Senator HEITKAMP. In Fargo, for example, about a third of our startups identify accessing early stage funding as the greatest hurdle. We have a bill that hopefully within SBA would help get that done. But I think it is critical that you look not only at small business, but you look at small rural business. And so can I have your commitment that when you move over there, this will be a particular interest of yours and that we can call on you to make sure small businesses are being heard within the SEC?

Mr. ROISMAN. I am happy to commit to that.

Senator HEITKAMP. Thank you.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you. And you made it under time, too.

Senator HEITKAMP. That can make up for last week.

Chairman CRAPO. Senator Tillis. You should not have reminded me.

[Laughter.]

Senator TILLIS. Thank you, Mr. Chairman. I may add that you can tell that these folks have experience on the Hill because, because of you all, I am getting to ask my questions 4 minutes early. I counted about 4 minutes that you all yielded back in your opening statements, so I appreciate that.

Before I get started, Mr. Chair, I want to thank my staff, Tyler Williams here, who is moving on to a new job in the Department of Treasury, the domestic finance team. He has been great to work with. I know he has developed a great relationship with the Committee staff, working with Senator Warren on the bill that she mentioned earlier. So I just want to personally thank him for his contribution. Thank you.

Chairman CRAPO. Congratulations.

[Applause.]

Senator TILLIS. Mr. Roisman, it looked like you wanted to finish the answer to Senator Warren on a sort of concept that everybody is a bad actor versus what I think you were trying to get at, is you want to go after the ones that we need to focus on most so we get the resources, get the lead on target, so to speak. Do you want to finish your thought on that?

Mr. ROISMAN. I think you encapsulate it perfectly. I also think what I think is important is this all does tie in, you know, toward the proposed rulemaking that the SEC is doing. And I think it is important for the public to comment on this issue. She raises an important issue, which is: Do people think that the current differentiation of standards is appropriate? And this is one where the SEC needs to look at the comment file and meet with people and see what they got right and what could be improved. I think it is a good first step, but I look forward, if confirmed, to keeping an open mind and seeing if there are any changes that are necessary. But I appreciate the opportunity.

Senator TILLIS. Thank you, and I also thank you for the work that you have done on the Committee. You have got a great reputation, and I know you are going to serve us well in a new capacity.

Mr. Bright, you may be one of the calmest worriers I have ever seen. But I thank you for the time that you spent in our office talk-

ing about how we could address a portion of your portfolio that was worrisome to you. With the passage of the bill, can you tell me a little bit about any of the immediate positive impacts it has had or what it is going to look like a year from now?

Mr. BRIGHT. Well, so strictly speaking from a purely antiseptic perspective, the securities are trading better in price, which means lower rates for FHA, VA, and USDA borrowers. And so our securities have improved about a point in price, which means a 25-basis-point, all else equal, lower borrowing rate for all the programs that Ginnie supports. So that is obviously a win.

In the nonantiseptic space, my hope is that it is a signal that, you know, these borrowers are not, you know, there to be refinanced when they do not need it. That is not going to be tolerated. It is going to show up in the data somewhere, and we are not going to be OK with that.

Senator TILLIS. This was a pretty narrowly crafted bill. I always wonder anytime you pass a bill if you see any potential unintended consequences or other things we should look at or maybe a follow-on phase. Do you have any opinions on whether or not there are any areas that industry has expressed a concern?

Mr. BRIGHT. I think it was very—first of all, I think the provisions were exceptionally helpful. I think saying that Congress stands with us leads us so that we are not kind of hanging out on a limb. We know we have the political support we need to go after this problem.

There was a slight difference, I think, in some of the wording that ended up meaning that we had put in place a reg in December that was a 6-month seasoning requirement, and the bill codified that reg. The way the bill was written, the codification I think ended up being a little bit more like a 7-month seasoning. So if you wanted to perfectly align the language with the reg that we have, that would be a quick sort of technical fix. But it is working, writ large, at a macro level for sure.

Senator TILLIS. What about other priorities moving forward in terms of congressional priorities?

Mr. BRIGHT. A few folks have asked me, you know, what hamstrings Ginnie Mae, what resources we need, and as I have pointed out, we do lost talented employees to agencies in Washington, DC, that can compensate on a different scale. So that would require a legislative fix. If there is interest on that, as Ginnie has gotten very, very big, I would have great interest in working with you on looking for something that works.

Senator TILLIS. Thank you. We look forward to working with you.

I am going to yield back the remainder of my time. I congratulate all the nominees and their families for the great job you have done on the Hill and the great job you will do in your new roles. Thank you.

Chairman CRAPO. Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you. Welcome and congratulations to all of you as well, and welcome to your families.

Mr. Bright, let me start with you. I understand from 2002 to 2006 that you were a senior financial analyst and trader at Countrywide where you were responsible for modeling the value of mortgage servicing rights and hedging interest rate risk. Is that correct?

Mr. BRIGHT. That is correct.

Senator CORTEZ MASTO. And then from 2006 to 2008, you worked as an associate at Wachovia, where you worked in MBS trading. Is that correct?

Mr. BRIGHT. That is correct.

Senator CORTEZ MASTO. So can I ask you—I represent the State of Nevada, and obviously in 2007 we had the worst crisis we had ever seen and the recession. Can I ask you that during your time at Countrywide or Wachovia, during that time or after, did you raise any alarm bells about risky and abusive practices?

Mr. BRIGHT. Yes. And, in fact, I quit Countrywide in 2006 because my wife and I decided that this was going to go under, that the behavior that we were seeing was unethical, unsustainable, that this was a bubble that was going to collapse. We wanted to get as far away from it as we could.

Senator CORTEZ MASTO. Were you vocal about it to others as well, or regulators, to let them know about the risky practices and things——

Mr. BRIGHT. Well, there was nothing to whistleblow in the sense of something illegal being done, but, yes, I was very vocal internally at Countrywide that I thought these "Pick-a-Pay's" were a terrible, terrible product.

Senator CORTEZ MASTO. Then you went to work at PennyMac. Is that right?

Mr. BRIGHT. After.

Senator CORTEZ MASTO. And correct me if I am wrong. Was PennyMac a reincarnated version of Countrywide run by the same management?

Mr. BRIGHT. The managers there were managers who were also pushed out in 2006 and 2007.

Senator CORTEZ MASTO. They were pushed out of Countrywide?

Mr. BRIGHT. That is correct. There was a total split in the—first of all, I was an analyst. I spent my first couple years doing analyst type work. By the time I was, you know, smart enough to understand what was going on and realized that this thing was wrong, you could see that the company was splitting. You know, I am not in the C-suite. I am down in the, you know, bowels there. But the rumors are trickling. And you could see that the senior management was splitting, and some people were saying, "This cannot go on. We have got to stop." And a lot of those folks were pushed out by the folks who won the day at the institution, at Countrywide, that said that is not right, keep going, keep hitting your EPS targets, keep going after more and more. And, you know, Stan, who was the CEO of PennyMac, was absolutely one of those folks. I was one of those people. And so there was a little bit of internal kind of tension. If I had seen anything illegal, of course, I would have flagged it. It was more the subjective, "Do people know what this Pick-a-Pay thing means?" You know, the sales folks were saying yes, and I was saying no, and so I left.

I went to Wachovia, and the very first meeting I had at Wachovia, I told them, "This is a terrible product. Stay away from it." Because they kind of wanted this Countrywide download, because everybody was trying to be as big as possible.

A month after I was there, they bought Golden West, and that was it. That was the beginning of the end. The stock price went down. I lost my job in 2008. I did not lose any money. I did not get a golden parachute. I had been saying, "Do not do it." But it was just a failing on every level.

Senator CORTEZ MASTO. So what have you learned that you carry with you today? And what will you carry with you from that as President of Ginnie Mae?

Mr. BRIGHT. That if you—a lot of things. If you make T-shirts and you are very ambitious and you are greedy and you make T-shirts and your T-shirts do not work out, then the world is stuck with a bunch of bad T-shirts. If you are in the housing market and you are greedy and you are irrational with your ambition and you are not thinking about the fact that you are operating in an ecosystem where the Government is playing a large public policy role because we have deemed it as important to play this policy role—you do not take that serious, then the ramifications of the mistakes are catastrophic and they float around the globe, both economically and politically, and we are still living with that now.

And so everybody in this market, in that mortgage market, needs to take seriously, in my view, the fact that they have signed up for something where this body has created a large role for Government, for public policy achievement, and we have to take that seriously. And so I want to fulfill that mission in my role at Ginnie, and I think that the industry needs to consistently do that introspection and self-reflection.

Senator CORTEZ MASTO. Thank you. And so can I get your commitment that lenders participating in the programs through Ginnie Mae will be appropriately scrutinized under your leadership?

Mr. BRIGHT. Absolutely.

Senator CORTEZ MASTO. Thank you.

I notice my time is up. I have got about 20 seconds left, not enough time to go into further discussion. But, Mr. Roisman, thank you for meeting with me and our discussion on cryptocurrencies. I look forward to having conversation on my concerns, your concerns, in addressing these issues as well.

Congratulations to the rest of you. Thank you.

Mr. ROISMAN. Thank you, Senator.

Chairman CRAPO. Thank you very much, and that concludes our questioning. I want to again thank each of you for coming and participating today in our hearing and for your willingness to serve this country. Some of you got more questions than others, but you should take that as a positive. Mr. Roisman and Mr. Bright took most of the incoming today. But we are concluded with the hearing.

For Senators, all questions for the record need to be submitted by Thursday, July 26th, the close of business. And for our witnesses, responses to those questions are due by Tuesday morning. So please respond quickly to the questions that you receive.

With that, this hearing is adjourned.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO

This morning we will consider the nominations of four more individuals to serve in key leadership posts in the Administration:

Mr. Elad Roisman, to be a Member of the Securities and Exchange Commission; Mr. Michael Bright, to be President of the Government National Mortgage Association, or "Ginnie Mae"; Ms. Rae Oliver Davis, to be Inspector General of the U.S. Department of Housing and Urban Development; and Dr. Dino Falaschetti, to be Director of the Office of Financial Research.

Welcome to all of you this morning, and congratulations on your nominations to these very important offices.

I see friends and family behind you, and welcome them here today as well.

Each of these nominees, if confirmed, will play an important role in supporting our financial system, ensuring it remains vibrant, safe, and sound for all Americans.

I will start by recognizing Mr. Roisman, in particular, who continues to do outstanding work for this Committee as Chief Counsel.

I can personally attest to Elad's impressive command of securities law, his keen intellect and work ethic, and his commitment to doing what is right.

As many on this committee know, Elad is intimately familiar with the inner-workings of the SEC, having previously served as Counsel to Commissioner Daniel Gallagher, and as Chief Counsel at the NYSE Euronext.

Elad—thank you for being a trusted advisor and resource to me, and to others on this Committee.

If confirmed, I am confident that you will successfully execute the SEC's mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

We will be sad to see you go, but the SEC will have gained a tremendous asset from which our whole country will benefit.

Michael Bright also has a distinguished record as a Senate staffer, and is no stranger to many in this room.

Over the last decade, Mr. Bright has established himself as a leading voice on housing finance policy.

Most recently, over the past year-and-a-half, he has overseen all aspects of Ginnie Mae, including its nearly $2 Trillion portfolio of mortgage-backed securities, and has already taken significant action to protect taxpayers and help consumers.

If confirmed, I know Mr. Bright will continue this important work, and I look forward to working with him on opportunities to address the last piece of unfinished business from the Financial Crisis: comprehensive housing finance reform.

Rae Oliver Davis has dedicated her entire career to holding others accountable.

As a former Assistant U.S. Attorney, Ms. Davis spent years investigating and prosecuting financial criminals, among other crimes.

Over the past decade, she has turned her focus to holding the Government accountable, working for various Inspectors General within the United States Postal Service, the Troubled Asset Relief Program, or "TARP", and HUD.

If confirmed as HUD Inspector General, Ms. Davis will draw from this deep experience, working on behalf of taxpayers to eliminate fraud, waste and abuse in our housing programs, and to make sure that those programs run as efficiently and effectively as possible.

Dino Falaschetti has had a distinguished career in economics that spans academia, the private sector, and public service—most recently as Chief Economist for the House Financial Services Committee.

For many years, Dr. Falaschetti's expertise on finance, corporate law, business strategy, and economic policy has been widely sought out.

In addition to holding faculty appointments at 8 different universities, Dr. Falaschetti served as Senior Economist for the President's Council of Economic Advisors during the second Bush administration, where he worked directly under future Fed Chairman Ben Bernanke.

At the Office of Financial Research, or OFR, Dr. Falaschetti will be charged with overseeing much of the research and data analysis that supports the work of Financial Stability Oversight Council.

If confirmed, he will be a trusted and valued resource for FSOC and the Treasury Department as he has been for Congress and many others.

We have four highly qualified nominees before us, and I urge my colleagues to support them so that they can quickly get to work for the American people.

Congratulations, once again, on your nominations, and thank you for your willingness to serve.

PREPARED STATEMENT OF ELAD ROISMAN

TO BE A MEMBER, SECURITIES AND EXCHANGE COMMISSION

JULY 24, 2018

Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am honored to appear before you today as the President's nominee to serve as a Commissioner of the U.S. Securities and Exchange Commission. My professional experience as a securities lawyer at a global law firm, a chief counsel at NYSE Euronext, counsel to an SEC commissioner, and now chief counsel on this Committee have afforded me a broad spectrum of experiences that would enable me to effectively serve the public and carry out the SEC's mission should I be confirmed.

Mr. Chairman, I would like to introduce members of my family that are here with me today. My wife, Helaina Roisman, a social worker at George Washington University Hospital and, without question, my far better half. My parents, Hanna and Yossi Roisman, who taught me at an early age the importance of integrity and having the courage to do the right thing. My brother, Shalev Roisman, who showed me the importance of trying to understand the other side of every issue. My father- and mother-in-law, Larry and Laurie Bernstein, and my brother-in-law, Jacob Bernstein, who have all been incredibly supportive over the years. Lastly, my daughters, Talia and Yael, are too young to come today, but remind me daily of what is most important in this life.

As the child of two immigrants who moved to this country determined to pursue a better life for themselves and their children, I have a strong appreciation for the stability and security that our form of Government and financial markets provide. My parents did not have much when they came here. But, what they did have was confidence—confidence in America, and confidence in a financial system that would enable them to save and invest so that they could raise their family and help provide for their children's education. When I think about what gave them such confidence in a system that they barely knew, one thing stands out—public trust. While they may not have understood or appreciated the complex system of oversight and regulation that govern the conduct of market participants in our financial markets, they believed and expected that our markets were regulated in a fair and orderly manner with requisite investor protection, transparency, and accountability.

While serving as a chief counsel at NYSE Euronext, I saw firsthand the excitement and pride of entrepreneurs and innovators when they rung the opening bell as their companies went public, enabling them to grow their companies, invest in communities, and allow investors to share in their success. My belief in the importance of fair markets and the role they play in our country is what motivated me to move from New York to Washington, DC, and join the SEC. I wanted to utilize my insights and experiences from the private sector and passion for the securities markets to help further the SEC's important mission. As counsel to an SEC commissioner, I worked with the SEC's expert staff and witnessed their dedication and determination to protect investors and enforce the law. And, as a chief counsel on this committee, I have developed the utmost respect for this institution and the critical role of congressional oversight. I believe my personal and professional experiences have prepared me well for the role for which I am being considered. I fully recognize and appreciate the critical role the SEC serves in the lives of investors so that families like mine can save for their children's education, pay for unexpected expenses, and retire with confidence.

The U.S. capital markets are the envy of the world and the importance of the SEC's role in this cannot be overstated. Throughout its history, the dedicated commissioners and staff of the SEC have worked to preserve confidence as our markets grew and evolved. To continue this, the SEC must examine and reexamine its rules, regulations and guidelines to ensure that they are still working as intended to accomplish the SEC's mission. This is most recently manifested in areas such as data protection and cybersecurity, as well as the emergence of new investments and technologies such as initial coin offerings and blockchain. It is essential that the SEC approach these new challenges in a fair and transparent manner, provide clarity and certainty to the markets and investors, and enforce the laws and regulations that hold market participants accountable.

If confirmed, it would be an incredible privilege to rejoin the ranks of the SEC's dedicated public servants and further its mission. Thank you.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Roisman (Last) Elad (First) Leon (Other)

Position to which nominated: U.S. Securities and Exchange Commissioner

Date of nomination:

Date of birth: 10 (Day) May (Month) 1981 (Year) **Place of birth:** Seattle, Washington

Marital Status: Married **Full name of spouse:** Helaina Beth Roisman

Name and ages of children: Talia Miriam Roisman (2), Yael Tova Roisman (born 2/3/18)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Cornell University	1999-2003	B.A.	2003
Boston University School of Law	2003-2006	J.D.	2006

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

G. Joseph Tauro Scholar, Boston University School of Law
Articles Editor, Boston University International Law Journal
Dean's Scholar, Cornell University
Graduated cum laude with distinction in all subjects, Cornell University

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization Office held (if any) Dates

A) Cornell University Arts & Sciences Career Connections Committee member (2015-Present)
B) Cornell University 15-year Cornell Reunion Campaign Committee member (2017-May 2018)
C) Young founder membership at the Foundation for the National Archives (2014-2015)
D) American Council on Germany Young Leader-young leader (2013)

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Job Title	Description	Employer	Location	Dates
1. Intern	Law school summer intern	Essex County District Attorney's office	Salem, MA	Summer 2004
2. Summer Associate	Law firm summer associate	Milbank, Tweed, Hadley & McCloy	New York, NY	Summer 2005
3. Associate	Global Corporate Associate	Milbank, Tweed, Hadley & McCloy	New York, NY	October 2006-July 2010
4. Chief Counsel	In house counsel	NYSE Euronext	New York, NY	August 2010-November 2012
5. Counsel to SEC Commissioner	Legal Counsel to SEC Commissioner Daniel Gallagher	U.S. Securities and Exchange Commission	Washington, DC	December 2012-June 2014
6. Securities/ Senior Counsel	Counsel to Ranking Member Crapo in 2014, and Counsel to Chairman Shelby 2015-16	U.S. Senate Banking Committee	Washington, DC	June 2014-December 2016
7. Chief Counsel	Chief Counsel to Chairman Crapo	U.S. Senate Banking Committee	Washington, DC	January 2017-Present

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

See items 1 and 5-7 in chart above.

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Selling to the Club: How a Seller Should Negotiate a Club Deal. By John Franchini and Elad Roisman, April 2007 International Financial Law Review Magazine.

Letter to the Editor: School of Law dean a valuable asset. April 14, 2006 Boston University Daily Free Press.

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

N/A.

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

N/A.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   If confirmed by the Senate, I will continue to engage with Senators and Senate staff consistent with my official duties as a Commissioner

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   I have no such plans.

3. Has anybody made you a commitment to a job after you leave government?

   No.

4. Do you expect to serve the full term for which you have been appointed?

   Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

N/A.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

   N/A.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

   N/A.

The undersigned certifies that the information contained herein is true and correct.

Signed: _____ Date: 6/27/18

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

I have spent my entire career practicing and advising on corporate and securities law at a law firm, a regulated entity, the U.S. Securities and Exchange Commission (SEC) and Congress. My diverse work experience has helped me develop a background which, if confirmed, would allow me to work constructively with the Commissioners and staff of the SEC to promote and fufill the mission of the agency, namely, to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

As a lawyer at Milbank, Tweed, Hadley & McCloy LLP I worked with public and private companies on mergers, acquisitions, and dispositions and corporate matters. I drafted transaction-related agreements, and ran auctions of public and private companies. I advised clients on corporate governance matters and reporting obligations under the Securities Act of 1933 and the Securities Exchange Act of 1934, and NYSE and NASDAQ Listing Rules.

As a chief counsel at NYSE Euronext (now the Intercontinental Exchange), I counseled management and business lines on a wide range of legal issues including regulatory and litigation matters, trading matters, mergers and acquisitions, and NYSE and SEC filings. I worked with management and business lines on SEC filings and interacted with SEC staff on regulatory matters. I helped organize and run shareholder and company board meetings, served in a corporate secretary function, and drafted board materials.

Additionally, in the Fall semester of 2011, I helped teach a Corporate Governance course with Robert Reder at Fordham University School of Law. The focus was on the evolving role of the board of directors in public companies, including the current law, rules and listing standards (such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Sarbanes-Oxley Act of 2002, SEC rules and regulations, NYSE rules and Delaware corporation law), the relative rights and obligations of shareholders and directors, the structuring of boards and committees, including the selection of board members, and financial and other disclosures.

As a counsel to SEC Commissioner Daniel Gallagher, I provided legal advice on regulatory and policy matters including with respect to trading and markets, compliance, inspections, examinations and enforcement issues as well as international coordination. I worked with other Commissioners' counsels and SEC staff on rulemakings, compliance and enforcement matters, regulatory initiatives and SEC guidance. During my time with Commissioner Gallagher, I learned from SEC staff, investors, regulated entities, issuers, other market participants and interested parties with a range of viewpoints about various markets issues before the Commission.

As both a Senior/Securities Counsel and later as Chief Counsel for Chairmen Shelby and Crapo I have provided advice on SEC, Commodity Futures Trading Commission, Financial Stability Oversight Council and Financial Stability Board matters, including securities and derivatives matters and the implementation of the Dodd-Frank and the Jumpstart Our Business Startups (JOBS) Acts. I have worked with Republican and Democratic senators and their staff on legislation and aided with correspondence to regulators and government agencies. These efforts often required extensive collaberation to craft solutions to address issues facing our financial regualtory system. I have also organized congressional hearings regarding oversight of the SEC and other financial regulators and through these intereactions gained a greater undertanding of the issues that they face. Additionally, as part of my job, I have met with constituents, investors, market participants, regulated entities, consumer groups, national and international government officials and regulators, academics and indivudals and

groups who care deeply about the markets that the SEC oversees and who are concerned with a myriad of different issues. I have learned from each one of these meetings and it has helped me develop a better understanding of the markets as well as the role of the SEC. This will undoubtedly help me if I am confirmed.

PREPARED STATEMENT OF MICHAEL R. BRIGHT

TO BE PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

JULY 24, 2018

Chairman Crapo, Ranking Member Brown, and distinguished Members of this Committee, thank you for inviting me here today. It is an honor to appear before you as the nominee to be the President of the Government National Mortgage Association, or Ginnie Mae.

Let me take a moment to quickly thank my family who is here. I'm joined by my wife, Maggie, and my son, Mac. My daughter Margaux, who is 5, is at her grandparent's house in Florida, probably watching on the computer. All three of them have been incredibly supportive of me since coming to Washington, and that comes despite the many nights of coming home tired, grumpy, and distracted with work. I know that I ask a lot of them, and I am always thankful for their love and support.

In addition to being a father, for the past 12 months it has been my honor to serve as the Executive Vice President and Chief Operating Officer of Ginnie Mae. I'd like to tell you a little about what I have learned, and what I think still needs to be done.

Ginnie Mae was created in 1968 when Congress spun off Fannie Mae as a Government-sponsored private company and retained Ginnie as a complimentary Government corporation given the task of facilitating the securitization of certain mortgages with an explicit, transparent, and paid for Government guarantee. Ginnie Mae has since evolved into a $2 trillion Government security with a focus on facilitating lending to low and moderate income, rural, urban, and veteran borrowers.

Today, Ginnie Mae's bond and Ginnie Mae's brand are globally recognized as the most pristine mortgage security in the world. This is because of Ginnie Mae's track record of success and our robust process for ensuring the timely payment of principal and interest to security holders. Ginnie Mae has never missed a payment in its 50 years of existence, even during the financial crisis. That is exactly what an explicit Government guarantee is meant to provide and delivering on that mission is what we do every single day.

The day job of managing the roughly 150 employees of Ginnie Mae has been an incredibly rewarding experience for me over the past year. Ginnie has some of the most dedicated, knowledgeable, and mission-focused professionals I have ever worked with. They are squarely focused on the challenges of dealing with both Ginnie's growth and the evolving nature of the U.S. mortgage market.

To address these challenges, over the past 12 months we have launched a modernization campaign called "Ginnie Mae 2020," a 3-year strategic plan that will have our data centers running on cutting edge technology, realign our counterparty risk management framework, help bring in additional financing for mortgage servicing rights, and expand our global investor base through outreach and education in dozens of countries around the globe. All these efforts are well underway, some are even nearing completion, and we are very excited about the promise they hold for the future of our organization.

One issue I have worked with many of you on this past year is that of so-called "VA loan churning," or the rapid refinancing of VA loans with little or no benefit to the borrower, as well as the making of VA loans at interest rates higher than a veteran should be getting. I want to specifically thank Senators Tillis and Warren for their leadership on this issue. Between the work we have done administratively at Ginnie as well as the language recently passed into law, we have taken a major step towards rooting out behavior that was threatening the very viability of the Ginnie security, and thereby threatening the viability of the VA, USDA, and FHA programs we support. We will not tolerate this behavior, and we now know that Congress stands with us. Collectively, our efforts are working. We can already see that in the form of a better security price, which directly translates into lower rates for FHA, VA, and USDA borrowers.

I didn't begin my career in Washington. I came here after working in my twenties on mortgage trading desks in Los Angeles and Charlotte, including through the financial crisis. During that time, I learned thousands of lessons that I place into two thematic buckets: First, I learned that the mortgage market is incredibly technical and enormously complex. I feel honored to be able to use the technical knowledge I gained to serve a broader public policy mission that benefits all Americans. Second, I learned that greed and unbridled ambition can be dangerous realities, and if left unchecked in the housing market, the consequences can be disastrous. I came to Washington in large part to help ensure we never repeat the 2008 financial crisis, and I wake up every day with that mindset still.

I also want to say thank you to the Members and staff that I have been privileged to work with in the past, most especially Senator Corker. Working with Senator Corker, Senator Warner, Senator Crapo, and other Members of this Committee as a staffer was a tremendous honor and an experience I still think about every single day.

Going forward, my main goals for Ginnie Mae are to ensure that the agency is well run, and that the agency can continue to serve its statutory obligations to help ensure a stable U.S. housing market. There is much to be done, and I look forward to the task.

Thank you.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:

Bright Michael Richard

Position to which nominated: President, Government National Mortgage Association

Date of nomination:

Date of birth: 29 September 1978

Place of birth: Warren, Ohio

Marital Status: Married

Full name of spouse: Marguerite Booker Bright

Name and ages of children: Macallan Galbreath Bright (9) Margaux Francesca Bright (5)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Johns Hopkins University	9/1997-5/2000	Bachelors	5/2001
Johns Hopkins University	9/2000-5/2002	Masters	5/2002
(enrolled in combined 5-year BA/MA program)			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or chievement.

None

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates

None

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Countrywide Financial Corporation
Senior Financial Analyst, Trader
2002-2006
Calabasas, California
Responsible for modeling prepayment risk in mortgage-servicing rights (MSR) portfolio and hedging against movements in interest rates

Wachovia Bank, NA
Associate
2006-2008
Charlotte, NC
Managed a market-making trading book of Agency MBS and Agency MBS options (calls/puts)

Office of the Comptroller of the Currency
Financial Analyst
2009-2010
Washington, DC
Managed the "mortgage metrics database" used ot evaluate loan modification, recidivism rates, and loss reserves by large banks

Office of U.S. Senator Bob Corker
Senior Financial Advisor
2010-2014
Washington, DC
Legislative Assistant responsibilities for Senate Banking Committee issues

BlackRock
Vice President
2014-2015
Washington, DC/New York, NY
In "Financial Markets Advisory" division, assisted CCAR and DFAST banks with modeling challenges

PennyMac
Senior Vice President
2015-2016
Washington, DC and Westlake, CA

Managed all day-to-day operational issues with loan delivery to GSEs

The Milken Institute
Director
2016-2017
Washington, DC
Authored papers on housing reform and financial regulation

Ginnie Mae
Executive Vice President and Chief Operations Officer
Washington, DC
Oversee all operational and managerial issues of Ginnie Mae's securitization program

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Office of the Comptroller of the Currency – employee
U.S. Senator Bob Corker – employee
National Credit Union Association – NCUA was a client of BlackRock
Ginnie Mae/HUD - employee

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Why Housing Reform Still Matters" (June, 2016) – Milken Institute

"Toward a New Secondary Mortgage Market" (September 2016) – Milken Institute

"Affordable Rent and Access to Homeownership" (May 2017) – Milken Institute

"How a Financial Transactions Tax Could Work" – Yahoo Finance Op-ed, July 20, 2016

"Bank Stress Tests: Where They Add Value, and Where They Add Risk" – Yahoo Finance, Op-ed, October 2016

"GSE 'Recap' Experiment Is Just a Sideshow" – American Banker Op-ed, Dec, 2016

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

Rep. Blaine Luetkemeyer- $500.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Attached

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Current employer is Ginnie Mae.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

None

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

While employed at PennyMac, I worked on legislation to allow Real Estate Investment Trusts (REITs) to remain members of the Federal Home Loan Bank system. I was not a registered lobbyist as this was a tiny percentage of my time and duties at PennyMac.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

N/A

Civil, criminal and investigatory actions:

1. Give the full derails of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

With over 15 years of experience in the financial services and housing finance sector, I am incredibly enthusiastic about bringing my expertise to Ginnie Mae to help lead the organization through the next phase of its development.

Since July 2017, I have had the honor to serve as Executive Vice President and Chief Operating Officer of Ginnie Mae. In this capacity I have had the opportunity to manage Ginnie Mae's staff of nearly 150 employees as well as several hundred support contractors. I am consistently impressed with the level of dedicaiton and professionalism they all display on a daily basis.

Ginnie Mae has a staff of highly mission-oriented employees who are eager to have leadership that helps them to analyze risks and seize opportunities. Over the past year, Ginnie Mae has made great strides in policing its security, including addressing high "loan churning" in the VA home loan program. We have undertaken a comprehensive re-organization that has allowed us to separate the policy-making functions from the oversight functions vis-à-vis our issuers via the creation of a Policy Planning Office run by seasoned staff. We have begun a more holistic process of identifying counter-party risks, including enhancements to our grading system, the beginning of stress testing and crafting of comprehensive living wills, and the promulgation of new rules designed to better anticipate troubled issuers. We have also set about the development of a modernizaiton roadmap which we call "Ginnie 2020" that will include infrastructure upgrades, technology modernization, and new risk management tools. And finally, we have built a new database and accounting tool that will allow Ginnie to better manage any portfolios that are seized in a future emergency. More broadly, I have worked this past year to create a culture where Ginnie staff feel ownership of our challenges and opportunities, feel they are supported by management in making sometimes difficult decisions, and have pride in not only the work we do but also the manner in which we are perceived. It has been my honor to lead the organization as EVP and COO throughout the past 11 months, and I would be even more honored to have the blessing of the Senate to serve at the Agency's President.

My work at Ginnie has built a great deal off my prior experiences. I began my carreer modeling and hedging mortgage-servicing rights (MSRs) for one of the largest MSR books in existence. These assets are not only highly financially complex in nature, but they are the main source of collateral that Ginnie Mae has in the event a Ginnie issuers fails to abide by its obligations under its program. An understanding of MSRs, their risks, and their valuation is an important part of leading the organization, especially now that is has evolved into one where its issuer counterparties are monoline non-bank mortgage servicers, most of whom have MSRs as their primary asset. In order to fully appreciate the risks that Ginnie Mae faces in such a market, one must fully understand the nature and nuance of the MSR asset.

At Wachovia, including during the financial crisis, I traded mortgage-backed securities (MBS) as a market-maker for clients. Ginnie MBS was one of the bonds for which I had market-making obligations, and this gave me insight into the nature of how Ginnie MBS trade. Such experience will be valuable as I speak with the investor community about the Ginnie security. In fact, under Ginnie Mae's statute, providing and maintaining liquidity in the Ginnie MBS – hence bringing capital to the U.S. housing market – is in fact the core responsabilitiy of the Agency.

Working at the Office of the Comptroller of the Currency provided me perspective on how the regulatory community can most effectively engage with the lenders in a given program. There are areas where the OCC did this well, and areas where it did not. I plan to use all the lessons learned from that time to manage Ginnie Mae in a professional, consistent, and effective manner.

At BlackRock I learned quite a bit about stress testing, both its value and its limitations. And at PennyMac, I saw many of the operaitonal challenges that lenders face in securitizing mortgaes with GSEs.

Finally, my time on Capitol Hill and at the Milken Instutute gave me a perspective on what the policy-making community expects of a government agency such as Ginnie Mae. I am enthusiastic about one thing: running Ginnie Mae exceptionally well. If this provides policy-makers with options for leveraging the agency in the future, then so much the better.

Collectively, I believe my esperience positions me well to lead Ginnie Mae. If confirmed, I look forward to working closely with Congress over the coming years to ensure the continued flow of capital to the U.S. housing market.

PREPARED STATEMENT OF RAE OLIVER DAVIS

TO BE INSPECTOR GENERAL, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

JULY 24, 2018

Thank you, Chairman Crapo, Ranking Member Brown, and Members of the Committee. It is an honor to appear before you as the nominee to serve as the Inspector General (IG) of the United States Department of Housing and Urban Development (HUD). I would like to thank my family, friends, and colleagues for their support. In particular, I would like to recognize my parents, Charles and Jerry, and my husband, Chris, for their love and support. I would like to thank my three stepchildren, Graham, Addy, and Liam, for inviting me into their lives and guaranteeing that I would never suffer a dull moment.

I am proud to have made a career in public service and oversight. As a young staff attorney, I cut my teeth working on the then-Senate Governmental Affairs Committee and the House Government Reform and Oversight Committee. I then joined the Tennessee Office of the Attorney General where I led consumer protection investigations that resulted in nationwide settlements with Fortune 500 companies. I aspired to be a Federal prosecutor and was fortunate to receive an offer with the U.S. Attorney's Office for the Western District of Tennessee in Memphis. I prosecuted a wide variety of cases in that office, including everything from false tax claims and investment schemes to firearms and drug violations.

After deciding to return to our Nation's capital, I landed in the IG community, where I have spent the last decade of my career. I have worked in three unique and challenging agencies—the Postal Service, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and most recently HUD. I have been boots-on-the-ground conducting and leading investigations. I have also served in two senior level positons where I gained an appreciation for the tough decisions IGs must make every day.

In my most recent position with HUD OIG's Office of Special Inquiry, our efforts have focused on senior official misconduct and enterprise-level risk to the Department. We have created a multidisciplinary team of attorneys, investigators, and auditors to address complex issues in a comprehensive manner.

I would like to share with the Committee my personal constitution with respect to IG work and my vision for HUD OIG, if confirmed as Inspector General.

The foundation of IG work is independence. It is the principle that protects our ability to shed light on the truth about Government. An independent IG cannot allow the department or agency it oversees to direct its work in any way. And an independent IG cannot accept obstruction or delay in gaining access to agency records.

I also believe the best IGs are strong communicators. IGs must have solid relationships with their authorizing and appropriating committees to ensure they prioritize the right work and keep Congress informed. In my rounds with Senators and your staffs, I committed to ensuring that we conduct comprehensive investigations and deliver thorough reporting. I am aware that our work is also of significant interest to American taxpayers. Shedding light on Government mismanagement and misconduct through our reports can be as effective as prosecutions and financial recoveries.

To remain current in our efforts, we must communicate well with HUD. We can be independent in the direction of our work and reporting while maintaining strong lines of communication about HUD's priorities, initiatives, and planning. I believe strongly that we must also be active in the IG community, through cross-cutting initiatives, training programs, and development of best practices.

My vision and goal-setting for HUD OIG will focus on effectiveness. We can spark positive change by making hard-hitting recommendations relating to HUD's top management challenges.

HUD's mission is far-reaching and there are many pressing issues in HUD programs that require attention. I am honored to be considered as the nominee for this important oversight position.

I appreciate the opportunity to come before this Committee and to answer your questions. Thank you for your time today.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Oliver Davis (Last) Valeria (First) Rae (Other)

Position to which nominated:

Inspector General for the U.S. Department of Housing and Urban Development

Date of nomination:

Date of birth: 03/18/1972 (Day) (Month) (Year) Place of birth: Paducah, Kentucky

Marital Status: Married Full name of spouse: William Christopher Davis

Name and ages of children: I have three step-children by marriage. Graham Morrissey Davis, age 25; Adaliah Sarah Davis, age 22; and Liam Robert Davis, age 18.

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Murray State University, 1990- 1994, B.S., May 1994			
University of Memphis School of Law, 1994 - 1997, J.D., May 1997			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

I received the following awards while serving at the Office of the Special Inspector General for the Troubled Asset Relief Program:

2012 - Special Act Award
2013 - Distinction Award for Outstanding Legal Support in SIGTARP Investigations
2014 - Special Act Award

I also received the Enterprising Spirit Award from the Tennessee Bar Association Young Lawyer Board for spearheading a special continuing legal education course concerning suicide and substance abuse in the legal community. I don't recall the date of the award.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Alpha Gamma Delta Sorority	Treasurer, President	1990 to 1994
Tennessee Bar Association	Young Lawyers Board	Approx. 2004 - 2006
Council of Community Service	Member of Nonprofit Board	Approx. 2000 - 2001
Grace DC Presbyterian Church	Community Group Leader	Approx. 3/2014 to 10/2017
Old Presbyterian Meeting House	Coordinator of New Member Class	Approx. 10/2017 to present

I may have held a Tennessee State Society membership while working on Capitol Hill. I don't recall the exact dates.

I also recall attending at least one Tennessee Young Republican event while I was living in Nashville. Therefore, it is possible I held a membership sometime in the early 2000's.

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Please see my attached professional resume. I have supplemented my resume by listing a number of positions below that are responsive to this question.

1) **I worked at both El Chico's and Ruby Tuesdays as a server's assistant and server throughout summers and holidays of college and before starting law school. I do not recall the exact dates.**
2) **I was an intern for Shelby County after my first year in law school. I was assigned to the Shelby County District Attorney's Office. I believe I held this position over the summer of 1995.**
3) **I was a law clerk at the law firm of Shuttleworth, Smith, McNabb and Williams in the summer of 1996.**
4) **I clerked for the Shelby County Criminal Court judges during my final year of law school. I do not recall the exact dates.**
5) **I worked for a number of weeks in 1999 for Main Street Communications in Washington, D.C. I answered the phone and assisted the owner with his schedule.**

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Please see my attached resume.

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

NIA

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

N/A

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

I don't recall making any campaign contributions in the last eight years. My search of the Federal Election Commission public database and the Tennessee Registry of Campaign Finance public database did not reveal any reportable contributions in my name.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Please see attached.

Future employment relationships: 1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I currently serve as a member of senior staff with the Office of the Inspector General for the U.S. Department of Housing and Urban Development.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I do not have any plans after completing government service.

3. Has anybody made you a commitment to a job after you leave government? **No.**

4. Do you expect to serve the full term for which you have been appointed? **Yes.**

Potential conflicts of interest: 1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

There are no financial arrangements, deferred compensation agreements, or continued dealings that I think are responsive to this question.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

There are no investments, obligations, liabilities or other relationships that are responsive to this question.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

There are no relationships, dealings or financial transactions that may result in a possible conflict of interest.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I have not had any involvement with any such lobbying efforts.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

Should any such conflict arise or come into question, I will consult the designated agency ethics official.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

In April 2005, while serving as an Assistant United States Attorney, I self-reported judicial criticism I received to the Department of Justice's Office of Professional Responsibility (OPR). The criticism came in a Sixth Circuit Court of Appeals opinion and related to statements I made to the jury during my closing argument and of a question I asked the defendant on cross-examination.

As a result, OPR opened an investigation which concluded with a finding that I did not engage in any misconduct. They reviewed the record and interviewed me, at least one of my colleagues, and my supervisors. I did not receive any discipline as a result of the criticism or the investigation.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

I received notice in early November 2010 that my Tennessee bar license was suspended on October 25, 2010, because the bar association had not received payment of the required annual fee of $168.00. I was unaware that my payment was past due until I received this notice. I have no reason to believe that notice concerning this fee wasn't mailed to me at my residence; however, I don't recall receiving it. Once an additional mailing alerted me to the administrative suspension I took immediate steps to ensure reinstatement. I sent payment via overnight FedEx to the Tennessee Board of Professional Responsibility, and the suspension was lifted on November 8, 2010.

A representative of the Tennessee Board of Professional Responsibility recently explained to me that the board does not consider such an administrative suspension to be "discipline" that must be included in the disciplinary report that the board maintains for each member of the bar. I have attached the disciplinary report as well as a letter of good standing.

Confidential Financial Statement

Net
\Worth

Provide a complete, current financial net worth statement which itemizes in detail all assets (including bank accounts, real estate, securities, trusts, investments, and other financial holdings) all liabilities (including debts, mortgages, loans, and other financial obligations) of yourself, your spouse, and other immediate members of your household. **Please see attached**

ASSETS			LIABILITIES
Cash on hand and in banks			Notes payable to banks-secured
U.S. Government securities-add			Notes payable to banks-unsecured
Schedule			Notes payable to relatives
Listed securities-add schedule			Notes payable to others
Unlisted securities-add schedule			Accounts and bills due
Accounts and notes receivable:			Unpaid income tax
Due from relatives and friends			Other unpaid tax and interest
Due from others			Real estate mortgages payable dd
Doubtful			schedule
Real estate owned-add schedule			Chattel mortgages and other liens
Real estate mortgages receivables			payable
Autos and other personal property			Other debts-itemize:
Cash value----life insurance			
Other assets-itemize:			
			Total liabilities
			Net worth
Total assets			Total liabilities and net worth
CONTINGENT LIABILITIES			GENERAL INFORMATION
As endorser, co-maker or guarantor			Are any assets pledged? (Add schedule)
On leases or contracts			
Legal Claims			Are you defendant in any suits or
Provision for Federal Income Tax			legal actions?
Other special Debt			Have you ever taken bankruptcy

SOURCES OF INCOME LAST 3YEARS

1. List sources and amounts of all income received during the last 3 years, including all salaries, fees, dividends, interest, gifts, rents, royalties, patents, honoraria, and other items exceeding $500 or more. (if you prefer to do so, copies of U.S. income tax returns for these years may be substituted here, but their submission is not required.)

	Year: 2017	Year: 2016	Year: 2015
Salary	151,775	138,992	143,343
Fees, royalties			
Dividends	255	193	
Interest			
Gifts			
Rents			
Other-exceeding $500	Taxable refund 1,472	Taxable refund 1,501	Taxable refund 609
Total	153,502	140,686	144,300

(Add schedule itemizing each individual source of income which exceeds $500. If you are an attorney, accountant, or other professional, attach schedule listing all clients and customers whose billings exceeded three quarters of one percent of your gross billings during each of the last 3 years.)

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers.

There is nothing that is responsive to this question.

The undersigned certifies that the information contained herein is true and correct.

Signed: Valerie Rae Olivia Davis Date: 5/30/18

RAE OLIVER

6307 Fort Hunt Road, Alexandria, VA 22307
(O) 202-402-6010 (C) 615-289-9219
voliverdavis@hudoig.gov

PROFESSIONAL EXPERIENCE

Office of the Inspector General - U.S. Department of Housing and Urban Development

- **Acting Assistant Inspector General for the Office of Special Inquiry, February 2017 - Present**
- **Special Counsel, April 2016 - February 2017**

Lead a multidisciplinary team comprised of skilled professionals including lawyers, criminal investigators and forensic auditors whose mission is to address cases involving conflict of interest by senior officials as well as improper influence of nationwide programs.

Office of the Special Inspector General for the Troubled Asset Relief Program

- **Chief Investigative Counsel, August 2015 - April 2016**
- **Acting Chief Investigative Counsel, April 2015 - August 2015**

Led a team of experienced former federal prosecutors and highly experienced criminal investigators tasked with investigating criminal conduct related to TARP. Serve on the Special Inspector General's senior staff and the Investigation Division's management team. Supervise the Investigation Division's contribution to the agency's quarterly report. Represent the agency at the Rescue Fraud Working Group and the National Interagency Bank Fraud Working Group. Advise Front Office staff, the Office of General Counsel, the Special Agents in Charge, and the Department of the Treasury on a regular basis.

- **Assistant Chief Investigative Counsel, August 2013 - April 2015**

Promoted to the Special Inspector General's senior staff and the Investigation Division's management team. Served as Acting Chief Investigative Counsel on a regular basis. Designed and implemented nationwide training program for the Investigation Division. Received Special Act Award.

- **Deputy Chief Investigative Counsel, November 2011 – August 2013**

Assisted criminal investigators and prosecutors with investigating fraud in connection with TARP. Participated in interviews. Reviewed memorandums of interview and subpoenas. Participated in case briefings. Presented case studies at interagency working group meetings. Acted as mentor in agency's leadership development program.

Office of the Inspector General – United States Postal Service

- **Attorney, November 2008 – November 2011**

Served as primary legal counsel to the Internal Affairs Unit tasked with investigating both criminal and administrative allegations against employees of the inspector general as well as referrals from the United States Postal Inspection Service. Provided legal advice and training to criminal investigators on matters related to criminal, administrative, and whistleblower investigations. Reviewed incoming allegations, reports of investigation, undercover proposals, and subpoenas. Served periodically as Acting General Counsel and Deputy of the Criminal Division.

Burch Porter & Johnson

- **Associate, February 2007 – October 2008**

Served as a member of the litigation practice group in Memphis, Tennessee. Represented corporate targets of government investigations.

Office of the United States Attorney, Western District of Tennessee

- **Assistant United States Attorney, December 2002 – January 2007**

Managed federal criminal investigations and prosecutions involving financial crime, false claims, immigration, health care fraud, narcotics, firearms, and postal crimes. Investigated the first human trafficking case in Tennessee. Directed federal grand jury investigations and collaborated with federal law enforcement agencies. Supervised the work of a Special Assistant United States Attorney assigned to investigate criminal activity on

the local navy base. Served as lead counsel in felony jury trials in federal court. Prepared appellate briefs and argued before the United States Court of Appeals for the Sixth Circuit.

Office of the Tennessee Attorney General

- **Assistant Attorney General, Consumer Advocate and Protection Division, October 2000 – December 2002**

Served on the special multi-state task force to investigate the 2000 recall of Bridgestone/Firestone tires and rollover accidents involving Ford Explorers. Deposed corporate officers and engineers. Drafted subpoenas, document requests and briefing materials. Served as task force representative at United States Congressional hearings. Retained nationally recognized experts. Negotiated national settlements.

- **Assistant Attorney General, Civil Rights and Claims Division, 1999 – 2000**

Managed approximately 190 cases, including hearings before the Tennessee Claims Commission, one federal bench trial, and one federal jury trial. Practice included federal and state court appearances, pre-trial conferences, depositions, trial preparation and client contact. Supervised the handling of small docket claims assigned to the Civil Rights and Claims Division.

United States House of Representatives

- **Investigative Counsel, 1998 – 1999**

Served as counsel during the Government Reform and Oversight Committee's special investigation into campaign fundraising activity during the 1996 federal election. Drafted subpoenas. Assisted with depositions of hearing witnesses. Prepared briefing materials for hearings. Drafted section of official Congressional report.

United States Senate

- **Legal Intern, September 1997 – December 1997**

Interned for the Governmental Affairs Committee's special investigation into campaign fundraising activities during the 1996 federal election campaign. Reviewed and summarized documents, assisted with witness preparation and depositions, and prepared briefing books.

EDUCATION

1997 Juris Doctor, University of Memphis School of Law
1994 B.S. Political Science, Murray State University, Cum Laude

PROFESSIONAL DEVELOPMENT

Graduate of Lincoln Leadership Institute at Gettysburg
Graduate of CIGIE Training Institute at American University
Management Concepts Budget Execution

BAR ADMISSION

Tennessee 1998

Supplement to Banking Committee Questionnaire – Statement of Qualifications

I am proud to be a lifelong public servant, and to have focused my career on oversight and enforcement. I have been fortunate to work nearly every angle of a government investigation in a leadership role – as counsel for congressional committees, as a state and federal prosecutor, and as investigative counsel for multiple IGs.

I began my career as a young lawyers assisting in investigations for oversight committees for both the House and the Senate. As a federal prosecutor and an Assistant Attorney General in Tennessee, I investigated and prosecuted human trafficking, bank fraud, drug and firearms violations, tax fraud, and Fortune 500 consumer protection violations. I also represented the government in civil rights litigation. I briefly left the government after prosecuting cases for years and spent time in the private sector. But I was quickly drawn back to government service, and my experience as a prosecutor and investigative counsel made me a natural fit for OIG work.

Working at the Office of Inspector General for the Postal Service, the Troubled Asset Relief Program (TARP), and U.S. Department of Housing and Urban Development has instilled in me a deep appreciation for the critical role played by inspectors general. And my experience at multiple IGs has illuminated for me how challenging it is to lead OIGs. It is difficult to be an OIG that produces relevant, actionable work products while maintaining independence with a budget that requires us to do more with less.

The issues OIGs face are not unique, and the Departments we are a part of face the same issues on a much larger scale. I believe that the best way to be an effective Inspector General is to be a very prominent piece of the agency's leadership structure. Our time is too limited and our resources too scarce to miss the mark. Ensuring we focus our efforts properly starts with regular and effective communication with departmental leadership.

I am also a firm believer in the need to focus our efforts on the most significant management challenges HUD faces. In April of 2016, I was handpicked to lead the new Office of Special Inquiry within HUD OIG. Our team is multi-disciplinary – comprised of attorneys, investigators, and auditors – and we were created to address the special types of management challenges that every organization and agency must face. We focus on significant risks to HUD's finances, integrity, and reputation by focusing on (1) internal threats including senior official misconduct and leaks of nonpublic (often market-moving) information, and (2) enterprise-level risk to critical financial systems, which may be internal management of risk or external conduct detrimental to the function of the program.

In this senior staff role, I also lead a working group that was created to address some of HUD OIG's most significant internal challenges – how to ensure our products are making a difference in HUD's mission and how to better engage our stakeholders at all levels. As the Acting Assistant Inspector General for OSI, I have gained an appreciation for the challenges HUD faces in managing its risks, and the challenges all OIGs faces in bringing to life new ways to creatively attacks the risks that our agencies need help with.

At times, OIGs must be prepared to throw everything they have at a problem to stop the proverbial bleeding. As Deputy and Chief Investigative Counsel at SIGTARP, we deployed an organization of lawyers, criminal investigators, and analysts to investigate emerging, complex frauds in the financial system. We had to learn the frauds as they developed because the programs were new – it was a

targeted response to an unforeseen financial crisis unlike any before it. One of the greatest keys to our success was allocating resources appropriately to ensure our team had a chance at combatting the complexities of these new, niche cases.

My team of lawyers and investigators was instrumental in presenting hundreds of cases for prosecution. When I departed after nearly five years, over 100 defendants were sentenced to a variety of crime including TARP-related fraud, and billions were returned to the government. As a member of senior staff, I attended key case briefings, drafted budget requests, and supervised the staff that contributed to our quarterly reports to Congress. I also revamped our training program to ensure that our teams of special agents and lawyers benefited from lessons learned in the field as well as our many successes in the courtrooms around the country.

At SIGTARP, the senior staffs' attention to detail gave us insight into the data of our agency's work, and we became a data-driven leadership team. We were date-driven on budget and we devoted major resources to technology. It brought huge returns, as we had a small staff that contributed significantly to major cases and we developed expertise in areas that other OIGs lacked.

I also have experienced working in an OIG that is on an "island," like the Postal Service. When an agency has a unique legal and regulatory framework, its IG must be also be unique to add real value. I joined USPS OIG shortly after it assumed jurisdiction over many areas that had previously been worked by the Postal Inspection Service. As an attorney for USPS-OIG, I helped develop our investigative programs and training to combat internal mail theft, embezzlement, workers compensation fraud, and whistleblower reprisal.

Each of these roles have demanded that I exhibit independence and integrity. Each shaped me personally and professionally and ultimately prepared me for the role of Inspector General. I am honored to be considered for this position. I have attached a copy of resume detailing time frames of my experience.

BOARD OF PROFESSIONAL RESPONSIBILITY
of the
SUPREME COURT OF TENNESSEE

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CHIEF DISCIPLINARY COUNSEL
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DEPUTY CHIEF DISCIPLINARY COUNSEL
BEVERLY P. SHARPE
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LAURA L. CHASTAIN
ETHICS COUNSEL

KEVIN D. BALKWILL
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WILLIAM C. MOODY
M. PRESTON SKIPP
EILEEN SUROCHALTER SMITH
A. RUSSELL WILLIS
DISCIPLINARY COUNSEL

March 8, 2018

TO WHOM IT MAY CONCERN:

Re: Valeria Rae Oliver
BPR No. 018831

On December 18, 1975, the Tennessee Supreme Court established the Board of Professional Responsibility of the Supreme Court of Tennessee to supervise the conduct of attorneys licensed to practice law in this state.

This is to certify that the attorney referenced above was issued a license to practice law in the State of Tennessee on January 14, 1998. This attorney's license is currently active and in good standing.

Enclosed for your review is a report generated from our case management system. A blank report indicates that our office has never opened an investigative file on this attorney.

Sincerely,

Mary McKnight

Mary McKnight
Registration Manager

MLM/lw

Enclosure

Disciplinary History Report

Oliver, Valeria Rae **018831**

No complaints on file

PREPARED STATEMENT OF DINO FALASCHETTI

TO BE DIRECTOR, OFFICE OF FINANCIAL RESEARCH, DEPARTMENT OF THE TREASURY

JULY 24, 2018

Chairman Crapo, Ranking Member Brown, and Members of the Committee, it is an honor to appear before you as the President's nominee to serve as Director of the Office of Financial Research.

I want to introduce my wife, Suzanne, and want to acknowledge other incredible people who cannot be with us today.

Betty, Suzanne's mom, is packing up her home in Chicago for a move to Montana. She will be a great constituent for what many call "the last best place." My brother Dominic and his partner Greg are watching on the Committee's website; work in Chicago did not allow them to join us today.

I also want to acknowledge several people who are no longer here, but continue to be a great source of love and wisdom—Suzanne's dad, Rich, as well as my mom and dad, Myrna and Dominic.

My parents are the reason I am here. Growing up in South Chicago, my grade school was a tough place. Tough enough that my mom—a substitute teacher—and my dad—a high school teacher—saw early on that I was headed toward a dead end. Unfortunately, a better school district looked beyond my parents' reach.

Mom and Dad stretched their budget to the end, and then more, so that my brother and I could grow up in a much safer neighborhood and attend much better schools. They could not have pulled it off without the confidence of local bankers who provided the support necessary to enable my parents to do what was right for their family.

My high school brought together kids from very different backgrounds. I sat between two young men—one would graduate and go on to Yale, while the other was already in a gang.

My experience growing up is a powerful illustration of the importance of a loving family and access to financial services. Absent either one, I easily could have have continued down a dead end. With them, I was able to earn a business degree and a doctorate in economics that gave me access to a rewarding career.

My career in business, academia, and Government has prepared me to lead the Office of Financial Research, and to ensure that it efficiently and effectively provides the high-quality financial data and analysis that Congress intended. However, it is my upbringing that taught me why this mission is so important.

If confirmed, I look forward to working with this Committee and with the other members of the Financial Stability Oversight Council to promote a more resilient financial sector so that all Americans, wherever they might have started, have reliable access to the kind of financial hand up that helped my parents realize their dreams.

I am honored to be here today and look forward to addressing your questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: **Falaschetti** (Last) **Dino** (First) **Dominic** (Other)

Position to which nominated: **Director, Office of Financial Research**

Date of nomination: TBD

Date of birth: May 1, 1967 (Day) (Month) (Year) **Place of birth: Chicago Heights, IL**

Marital Status: M **Full name of spouse: Suzanne Marie Falaschetti**

Name and ages of children: NA

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Washington University in St. Louis	1995-99	PhD	Dec 1999
University of Chicago	1991-94	MBA w/ High Honors	Jun 1994
Indiana University	1985-89	BS with Distinction	Dec 1989

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Washington University in St. Louis

- Center in Political Economy Dissertation Fellow
- John Stuart Mill Graduate Fellow
- John M. Olin Fellow

University of California at Berkeley

- Robert Wood Johnson Scholar in Health Policy Research

Stanford University

- W. Glenn Campbell and Rita Ricardo-Campbell National Fellow

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates

Theta Chi; Rush Chairman; 1986-89
American Institute of Certified Public Accountants (AICPA); No offices held, 1990-93

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Chief Economist — Jun 2015 – Present
U.S. Congress, Committee on Financial Services – Washington, DC

Senior Research Fellow and
Director of Outreach for Financial and Economic Policy — Jan 2014 – May 2015
Mercatus Center at George Mason University – Arlington, VA

Special Consultant — Jul 2006 – May 2015
Economists Incorporated – San Francisco, CA

Executive Director — Jul 2012 – Jan 2014
Property and Environment Research Center – Bozeman, MT

Senior Economist — Jul 2005 – Jun 2006
Council of Economic Advisers – The White House

Professor of Law, Economics, and Finance — Jan 2000 – Jun 2012
Florida State University, Montana State University, Seattle University

Manager of Corporate Finance — Jun 1991 – Sep 1993
Staff and Lead Auditor — Jan 1990 – May 1991
Undergraduate Intern — Aug 1988 – Dec 1988
PepsiAmericas Inc. (formerly, IC Industries Inc.) – Chicago, IL

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

- Chief Economist for the House Committee on Financial Services, 2015 - Present
- Senior Economist for the President's Council of Economic Advisers, 2005 – 2006

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Books

1. *Political Economy: Critical Concepts* (2011). London: Routledge Major Works Series (edited with Andrew Rutten and Norman Schofield).
   - Vol 1. *Theory: Social Choice and Elections*

- Vol 2. *Elections and Institutions*
- Vol 3. *Politics, Law, and Economic Performance*
- Vol 4. *Governance*

2. *Democratic Governance and Economic Performance* (2009). New York: Springer-Verlag.

3. *Money, Financial Intermediation, and Governance* (2008). Edward Elgar Publishing. With Michael J. Orlando (Federal Reserve Bank of Kansas City), and foreword by Antoine Martin (Federal Reserve Bank of New York).

Peer-reviewed and professional articles

1. Come Together, Over the Fed? Bi-partisan proposals for price-stability may do better than increased oversight (2015). *The Hill*, March 3 (with Chad Reese).

2. The Economics and Politics of Good Leaders (2014). *e21: Economic Policies for the 21st Century*, November 3.

3. Put the Market Back in Real Estate (2014). *U.S. News and World Report*, October 14.

4. Hidden Costs: The Precautionary Principle, and Risks of Clean Energy Policy (2013). In Robert Asahina (editor) *Lessons About Growth from the States, the Nation and Abroad*. Dallas, TX: George W. Bush Institute.

5. Does Climate Change Worry You? How About Insurance to Cover its Consequences (2013). *Forbes*, April 25 (with Terry Anderson).

6. Auditor Independence and Earnings Quality: Did Sarbanes-Oxley go too Far? (2013). *Economists Ink: A Brief Analysis of Policy and Litigation*, Special Issue, January.

7. A Sex-Difference in Risk-Taking and Promotions in Hierarchies: Evidence from Females in Legislatures (2012). Lead article in the *Journal of Law and Economics* 55(3):477-502.

8. Dodd-Frank Puts New Risk in Business, Fed Decision-Making (2011). *Bloomberg Government*, January 31.

9. Dodd-Frank Financial Reform: Will Increased Accountability at Corporations and the Fed Weaken Business Judgments and Price Stability? (2011). *InSights, Center for Leadership Formation, Albers School of Business*, Winter.

10. Dodd-Frank Financial Reform: Non-Market Risks and Strategies (2010). *Economists Ink: A Brief Analysis of Policy and Litigation*, Fall.

11. Dodd-Frank and Board Governance: New Political-Legal Risks to Monetary Policy and Business Judgments? (2010). *Banking and Financial Services Policy Report* 29(12):1-7 (with Richard Fidei and Fred Karlinsky).

12. An Information Market Proposal for Regulating Systemic Risk (2010). *University of Pennsylvania Journal of Business Law* 12(3): 849-98 (with Matthew Bevile and Michael J. Orlando).

13. SEC v. Goldman Sachs: Political-Legal Risks and Economic Strategies for Litigators and Transaction Planners (2010). *Economists Ink: A Brief Analysis of Policy and Litigation*, Spring.

14. Auditor Independence and the Quality of Information in Financial Disclosures: Evidence for Market Discipline vs. Sarbanes-Oxley Proscriptions (2010). *American Law and Economics Review* 12(1):39-68 (with James Brown and Michael J. Orlando).

15. Shareholder Democracy and Corporate Governance (2009). *Review of Banking and Financial Law* (Boston University School of Law) 28:553-80.

16. If We Want Low-Priced Homeowners Insurance, We Need Political Risk Insurance (2009). *Orlando Sentinel*, January 29 (with Christopher Douglass).

17. Can Lobbying Prevent Anticompetitive Outcomes? Evidence on Consumer Monopsony in Telecommunications (2008). *Journal of Competition Law and Economics* 4(4):1065-96.

18. Rocking the Fed's Boat (2008). *Hoover Digest* (4):47-52 (with Michael J. Orlando).

19. When Deficits Make Sense (2008). *Hoover Digest* (3):72-5.

20. Does a Hospital's Profit Status Affect its Operational Scope? (2008). *Review of Industrial Organization* 33(2): 129-59. Awarded *Best Paper by a Junior Author* by the Industrial Organization Society (with Marco Castañeda).

21. Aggregate Health Expenditures, National Income, and Institutions for Private Property (2005). *Economics & Politics* 17(3):391-429.

22. Cutting the Dividends Tax...and Corporate Governance Too? (2005). *Corporate Ownership & Control* 3(2):31-4 (with Michael J. Orlando).

23. Constraining Rational Choice: Allocation Versus Efficiency and the Origin of Commitment Problems (2004). In Irwin Morris, Joe Oppenheimer, and Karol Soltan (editors) *Politics from Anarchy to Democracy* (pp. 110-131). Palo Alto: Stanford Law and Politics (with Gary Miller).

24. Optimization in the Production of Governance Services: Lessons for the Regulation of Auditor Independence (2004). *Financiële Studievereniging Rotterdam* (*FSR*) *Forum* 6(2):16-23 (with Michael J. Orlando).

25. Contributions to the *Encyclopedia of Healthcare Management* (2004). Michael J. Stahl (editor). Thousand Oaks, London, New Delhi: Sage Publications (with Steve Parsons).

26. Credible Commitments and Investment: Do Checks on the Ability or Incentive for Opportunism Matter? (2003). *Economic Inquiry* 41(4):660-74.

27. Is Auditor Independence Endogenous? Evidence and Implications for Public Policy (2003). Research Division Working Paper 03-13, Federal Reserve Bank of Kansas City (with Michael J. Orlando).

28. Can Theoretically Latent Groups Influence Policy Decisions? The Case of Telecommunications Policy (2003). *Journal of Law, Economics, and Organization* 19(1):83-105.

29. Golden Parachutes: Credible Commitments or Evidence of Shirking? (2002). *Journal of Corporate Finance* 8(2): 159-78.

30. Does Partisan Heritage Matter? The Case of the Federal Reserve (2002). *Journal of Law, Economics, and Organization* 18(2):488-510.

31. Book review of Usha Haley's (2001) *Multinational Corporations in Political Environments*. New Jersey, London, Singapore, and Hong Kong: World Scientific. Published in the 2002 *International Journal of Organizational Analysis* 10(3):290-2.

32. Constraining Leviathan: Moral Hazard and Credible Commitment in Constitutional Design (2001). *Journal of Theoretical Politics* 13(4):389-411 (with Gary Miller).

Political Affiliations

and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Political affiliation: Republican

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

November 28, 2016, Senator Ben Sasse (Sasse PAC), $500

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve

potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

NA

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were
the subject of the inquiry or investigation.

NA

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

Falaschetti – Statement of Qualifications for OFR Director

Throughout my career in corporate finance, academia, and government, I have developed research-based insights to inform decision-making at the highest levels. In my business career, I managed a billion-dollar money market portfolio, foreign currency exposures, and corporate valuations. As a professor of economics, law, and finance, I developed a highly ranked research program that explored how institutions at the intersection of economics, politics, and law affect households and businesses. At the President's Council of Economic Advisers and the House Financial Services Committee, I provided senior government officials with practical economic analysis on a wide range of topics including systemic financial risks.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM ELAD ROISMAN

Q.1. You stated in your testimony that, "Throughout its history, the dedicated Commissioners and staff of the SEC have worked to preserve confidence as our markets grew and evolved. To continue this, the SEC must examine and reexamine its rules, regulations, and guidelines to ensure that they are still working as intended to accomplish the SEC's mission."

SEC Rule 10b-18, which provides publicly traded companies a safe harbor when repurchasing their shares, was issued in 1982, and the practice of stock buybacks has evolved considerably since then. For example, for the 248 companies in the S&P 500 continuously since 1981, share buybacks have gone from consuming 2 percent of their net income that year to nearly half of it in the period from 2004 to 2013. Moreover, in recent years, many of the large publicly traded companies have returned more than their net income to shareholders, in large part through significant stock buybacks.

Given the dramatic increase in stock buybacks since Rule 10b-18 was implemented, do you believe the rule merits reexamination to determine if it is still working as intended to accomplish the SEC's mission? If not, why?

A.1. As a general matter, I believe it is important for the SEC to review its rules to ensure that they are furthering the SEC's mission. As you note, the rule was first promulgated in 1982 and was last updated in 2003. Stock buybacks have been shown to be an efficient way to return profits to investors and have been a tool used by companies for decades. One justification often used to support stock buybacks is that companies should return money to investors when they do not have a better use for that money, thus enabling investors to redeploy that capital into other investments. As you noted, stock buybacks have increased over the past several decades and some have argued that it has led to a decrease in a company's ability to innovate and invest for the future and is potentially also an area of abuse where executives inappropriately benefit rather than stockholders. The debate about the appropriate use of buybacks, whether it incentivizes short-termism or needs more disclosure is currently ongoing and robust.

Given the time since the rule was updated, the change in the markets, additional data and research, as well as concerns raised about the rule, I believe there is merit to reexamining it. If confirmed, I would look forward to discussing this topic with my fellow Commissioners, the SEC's expert staff, and interested parties to see what, if any, changes they believe are appropriate for review.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM ELAD ROISMAN

Q.1. In 2009 the SEC adopted a rule requiring publicly traded companies to disclose more information on director selection and diversity. However, because the rule failed to actually define diversity, the disclosures are vague and provide little information on actual board diversity. Last year, the SEC's Advisory Committee on Small and Emerging Companies submitted recommendations to then Act-

ing Chair Piwowar recommending that the Commission amend the rule to include "disclosure regarding race, gender, and ethnicity of each board member/nominee as self-identified by the individual." In June, Chair Clayton told the House Financial Services Committee that he expects the SEC to move forward with a revised rule at some point in the future.

Do you think the rule should be updated so that investors have access to more meaningful disclosures such as the racial, ethnic, and gender compositions as well as any efforts or strategies to improve board diversity?

A.1. I believe that diversity is important and benefits organizations. Without prejudging a potential rulemaking or other Commission action, which the Chairman indicated the SEC would move forward on in the future, I will note that I believe it is important for the SEC to review its disclosure rules to see whether they are providing material information to investors. If confirmed, I would like to meet with Director Pamela Gibbs, the head of the SEC's Office of Minority and Women Inclusion, to get her perspective on the issue and what she has seen as successful policies to promote diversity at the SEC as well as what she has learned from SEC regulated entities. I would also like to discuss this issue with the SEC staff and all interested stakeholders to see what changes they believe should be made to the existing diversity disclosure to provide investors more meaningful information.

Q.2. If confirmed, will you commit to looking into this issue?

A.2. If confirmed, I commit to looking into this issue.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER FROM ELAD ROISMAN

Q.1. *Consolidated Audit Trail (CAT):* I have been a strong supporter of the SEC's creation of the Consolidated Audit Trail (CAT). I believe that, in order to properly oversee markets, it is vital that our regulators be able to reconstruct trading activity and discover weaknesses and nefarious activity. I have also been frustrated by the snail-like pace that this vital tool has been implemented, a frustration that Chairman Clayton recently echoed in March at a Securities Industry and Financial Markets Association (SIFMA) conference in Orlando, Florida. Chairman Clayton urged firms to comply with data sharing requirements and told the audience of stockbrokers that, "the main markets regulator should have access to a forensic trail that enables us to access what happened if a market event occurred."

Do you believe CAT is a vital tool for the SEC?

A.1. I appreciate your leadership on this topic and share your belief that the SEC needs to have a tool to adequately oversee the markets and promote investor confidence. I agree that the CAT can be such a vital tool when it comes into existence. The SEC should never be in a position like it was after the Flash Crash where it took weeks, if not months, to ascertain the cause of market disruptions.

Q.2. How can the SEC or policymakers encourage firms to comply with the data sharing requirement of the CAT?

A.2. If confirmed, I would like to discuss this with the SEC staff and fellow Commissioners to see what they think could additionally be done to encourage firms to comply. I believe that the SEC, or the self-regulatory organizations, which submitted the CAT NMS Plan, have sufficient authority to require the trading information from firms, but would want to discuss further with the SEC staff if I am confirmed. I will note that there have been concerns raised about the collection of personally identifiable information as part of the data sharing requirement. If confirmed, I would like to discuss this topic with the staff and Commissioners to ensure that the CAT does not require information that is not necessary to further the SEC's mission and that the collected information can be protected.

Q.3. *Human Capital Disclosure:* As the global economy continues to transition to a 21st-century knowledge-based economy, effective human capital management will be increasingly critical to a firm's ability to innovate, adapt, and compete. Chairman Clayton reflected on the importance of adequate human capital disclosures in April 2018 at a House Appropriations Subcommittee on Financial Services and General Government hearing, where he stated that he "would like to see more disclosure from public companies on how they think about human capital." Yet the SEC's Regulation SK requires few human capital management disclosures from public.

Will you commit to working to increase human capital management disclosure requirements?

A.3. I believe, as you have previously stated, that the American workforce is one of the greatest assets in our economy. The American workforce, the rule of law, and American innovation are the reasons our markets are the greatest in the world and our economy is the strongest. I believe that it is important for the SEC to constantly review its disclosure regime to see what needs to be improved to provide investors with material information for them to make informed investment decisions. There is a concept release on updating Regulation SK, and I do not want to prejudge future Commission action with respect to human capital management disclosure. However, if confirmed, I would look forward to engaging with interested parties on such disclosure as well as reading the public comment suggestions on how to improve the existing disclosures on human capital management and other important matters.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM ELAD ROISMAN

Q.1. Multiple rules mandated by Dodd–Frank remain incomplete, including rules pertaining to executive compensation, employee and director hedging, clawbacks, or incentive-based compensation for large financial institutions.

If confirmed, will you support finishing rulemaking that is mandated by Wall Street Reform for the SEC?

A.1. I will support finishing such rulemakings. I believe that the SEC must complete all Congressional mandates including those mandated by the Dodd–Frank Wall Street Reform and Consumer Protection Act.

Q.2. While cryptocurrencies offer an innovative way to conduct transactions, I am concerned about the use of cryptocurrencies as an investment vehicle.

Where do you foresee the SEC's involvement in overseeing cryptocurrency, particularly in conjunction with the CFTC?

A.2. I believe that the SEC should continue to work with the CFTC to help oversee the cryptocurrency markets. The SEC has regulatory authority over assets (e.g., exchange traded funds linked to cryptocurrencies) and initial coin offerings that are deemed securities. Additionally, the SEC has authority over market participants that transact in such securities (such as brokers, dealers, and investment advisers), market professionals that advise on such transactions, including securities lawyers and accountants, as well as certain platforms for trading digital assets. I believe it is important for the SEC and CFTC to have a collaborative approach to overseeing cryptocurrencies and related assets in order to provide clarity to investors, market participants, innovators, and the general public about the securities and commodities laws and regulations covering these commodities and assets. To date, the SEC and CFTC have (1) issued joint statements on cryptocurrencies and related assets to bring transparency and integrity to the markets, (2) highlighted the need to set and enforce rules that foster innovation while promoting market integrity and confidence, and (3) brought charges for violations of the law to prevent and stop fraud in the offer and sale of digital assets. Such work should continue, especially with respect to educating the public and enforcing the law. This ultimately furthers the SEC's mission to protect investors, maintain fair, orderly and efficient markets, and promote capital formation.

Q.3. Should cryptocurrencies have adequate disclosures and investor protections?

A.3. It is important that a security overseen by the SEC has adequate disclosures and investor protections, this includes cryptocurrencies and related products that are securities.

The SEC has highlighted the importance of adequate disclosure and investor protections for digital assets in its DAO Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934, recent SEC enforcement actions involving digital assets, SEC investor alerts, and speeches and statements by staff and members of the Commission to help clarify what the SEC thinks are areas of concern. If confirmed, I would look forward to working with my fellow Commissioners and the SEC staff to continue to promote adequate disclosures and investor protections with respect to digital assets and cryptocurrencies. I would also work to continue to provide clarity to market participants so that they understand the rules that will be enforced, thus enabling innovation while promoting market integrity and confidence.

Q.4. Should cryptocurrencies have the same protections and rules against market manipulation and market fraud as bonds and stocks?

A.4. I believe that if a cryptocurrency asset is deemed a security, the investor protections and rules against market manipulation and fraud should be consistent with the existing rule set. I believe

that it is important for the SEC to recognize new innovations in the markets and try to adapt its rules when appropriate. The SEC has been both educating the public about the rules and regulations that govern digital assets as well as bringing enforcement actions to ensure that bad actors, market manipulation, and fraud are being rooted out. It has also been working with state regulators and other agencies to try and target fraudulent initial coin offerings and crypto-asset investment products so that the public and fraudsters know that this is an area the SEC is focused on and takes seriously. This is important, and I would look forward to continuing this, if confirmed.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES FROM ELAD ROISMAN

Q.1. I introduced legislation earlier this year, the Expanding Access to Capital for Rural Job Creators Act, with my colleagues Senator Heller, Senator Heitkamp, and Senator Kennedy, focusing on capital formation for rural small businesses.

The bill would expand upon the work of my colleagues to expand the work of the SEC's Small Business Advocate.

What do you see as the unique challenges, or opportunities, for both small business owners and investors in rural businesses?

A.1. I believe that small business owners and investors are the backbone of this country, and I have been concerned about impediments to their sustainability and growth. Unfortunately, some of the challenges that these entrepreneurs and investors face is that many of the rules that they must comply with have a one-size fits all structure and do not take into account their business model. Additionally, and in some cases it can be more pronounced for rural businesses, access to capital can be much more limited. Given these challenges, I believe it is important for the SEC to review its rules to see whether they are appropriately taking into account the size, type, and resources of small businesses and see whether changes should be made with respect to SEC matters such as capital raises and debt financing, including as it relates to Crowdfunding and Regulation A offerings. If confirmed, I would look forward to meeting with rural business owners and investors, interested parties, the SEC's expert staff including the SEC's Small Business Advocate, once the position is filled, to hear their ideas on how to address the challenges facing rural businesses. This is a matter of particular interest to me, and I would be happy to work with you and others on this issue to ensure that the concerns about small businesses and in particular rural businesses are heard.

Q.2. The SEC recently moved forward with a proposal to potentially limit whistleblower payouts.

Can you tell me if you believe whistleblowers have been a benefit to SEC enforcement?

A.2. Based on what I have reviewed from public SEC enforcement actions, I believe that whistleblowers have provided the SEC with important information which has led to cases against bad actors. There is a proposed rulemaking on this subject, so I do not want to prejudge the rulemaking. If confirmed, I would look forward to

discussing the benefits of whistleblowers to the SEC's enforcement program with the SEC's staff, including the head of the SEC's Office of the Whistleblower, as well as my fellow Commissioners and all interested parties. Additionally, I would look forward to reviewing the comment file on the proposed whistleblower rule to learn from the public what people believe the SEC got right and what could be improved.

Q.3. Do you believe that strong financial incentives have helped entice whistleblowers in coming forward with highly sensitive information?

A.3. I believe that strong financial rewards incentivize whistleblowers to come forward, which can help root out fraud and illegal activity. As you noted, there is a proposed rulemaking on this subject, so I do not want to prejudge the rulemaking. If confirmed, I would look forward to discussing this topic with the SEC's staff, including the head of the SEC's Office of the Whistleblower, as well as my fellow Commissioners and all interested parties. I would also look forward to reviewing the comment file on the proposed whistleblower rule to learn from the public what people believe the SEC got right and what could be improved.

Q.4. Can you broadly describe your priorities for the SEC's investment advice rule will be?

A.4. Without prejudging the proposed Regulation Best Interest and related rulemakings, I believe that it is important for the SEC in finalizing a rule related to the provision of investment advice to look at issues such as whether the rule:

- Allows investors the ability to maintain and have access to financial advice;
- Provides appropriate disclosure so investors understand their relationships with financial advice providers, including conflicts of interest and how those are addressed;
- Is business model neutral, meaning that it permits consumers to receive different types of services and optionality, promoting investor choice and competition; and
- Promotes the SEC's three part mission, including protecting investors.

Appropriately addressing these issues would be a priority for me. If confirmed, I would look forward to discussing the proposed rule with my fellow Commissioners, the SEC's staff, and all interested parties. Additionally, I would look forward to reviewing the comment file to see what the public believes the SEC got right in the proposed rulemaking and what could be improved.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM MICHAEL R. BRIGHT

Q.1. You served as a Senior Vice President at PennyMac from 2015 to 2016. In 2017, PennyMac was Ginnie Mae's largest issuer, making up 11 percent of Ginnie Mae's total issuance. You are also a former employee of BlackRock, an affiliate of one of PennyMac's largest equity holders.

If confirmed, how can we be certain that your previous employers will not unduly influence your decisions as President of Ginnie Mae?

A.1. For the past year, as Chief Operating Officer of Ginnie Mae, I have treated all issuers fairly and made decisions based on the agency's statutory responsibilities and the facts before me. My previous employers have never influenced my official actions before and I assure you they never will. If confirmed, that would continue to be my practice. I firmly understand that any perceived favorability would be detrimental to my ability to lead, and so I take great care to ensure that all issuers, investors and other stakeholders are treated the same, both in practice and in perception.

My ethics agreement—which I signed upon my nomination—further spells out some precise steps I must take to avoid any actual or apparent conflicts of interest if I am confirmed to the position of President of Ginnie Mae.

Q.2. Following a March 22, 2018, hearing in this Committee, I asked questions for the record of the Department of Housing and Urban Development (HUD) Secretary that still have not been answered more than 4 months later. I am concerned that this lack of responsiveness to the Committee's requests could become a pattern at HUD and throughout the Administration.

If confirmed, will you provide timely, substantive responses to all Committee inquiries?

A.2. Yes, absolutely.

Q.3. In Ginnie Mae 2020, you outline three elements of your strategic plan for Ginnie Mae. The final element, a "Strong Focus on Innovation", states that Ginnie Mae is part of HUD discussions about whether to develop a loan-level credit risk transfer program or pilot. You state that any credit risk transfer program would have to be "economically, legally and operationally feasible."

Is Ginnie Mae still actively pursuing a program or pilot to test new credit risk transfer options?

What metric would Ginnie Mae use to determine that a credit risk transfer program is economically feasible?

What impact would any credit risk transfer proposal have for homeowners and renters whose loans or rental units are financed through Ginnie Mae?

Do you intend to engage with Members of Congress and relevant stakeholders, including financial institutions, investors, and consumer advocates, before you initiate a credit risk transfer program or pilot?

A.3. Many private institutions have come to Ginnie Mae and offered ideas for how some Federal programs in our security could leverage private credit risk transfer (CRT) to improve their financial risk conditions. Ginnie Mae itself collects only a 6-basis point guarantee fee, which would not be enough for Ginnie alone to engage in credit risk transfer. Other partner Federal agencies, however, have expressed some interest in concept, and Ginnie could conceivably play a facilitating role.

For any CRT program to work, however, it would have to put both the Federal insuring agency, Ginnie Mae, and the borrower in

a better financial condition and be equally available to lenders of all sizes. It is possible that some structures could meet these criteria, but we have not seen any yet.

Any credit risk transfer program—pilot or otherwise—would follow a full regulatory rulemaking process and begin with substantial engagement between Ginnie Mae and Members of Congress.

Q.4. In your testimony before the Committee, you said that you thought that the papers you coauthored with former Federal Housing Finance Agency Acting Director Ed DeMarco were "vague" on whether to maintain Fannie Mae and Freddie Mac's affordable housing goals. But in "Affordable Rent and Access to Homeownership", published in May 2017, you wrote that the affordable housing goals had "shortcomings" and proposed "alternatives" (see p. 12). You also wrote that whether "those goals contributed to the financial crisis is controversial" and cited to Peter Wallison's dissent to the Financial Crisis Inquiry Commission's report on the causes of the financial crisis (see p. 12). The paper then goes on to propose "replacing the old regime and its many flaws" (see p. 13), though it does not require that a new regime serve as many households.

Do you still support replacing the affordable housing goals?

A.4. Thank you for the follow up questions on the important topic of affordable housing. In the paper I coauthored with Ed DeMarco, we proposed some ways to improve upon the existing goals. I think that it's important to regularly evaluate how we can improve upon the programs we have to provide more effective and efficient access to affordable housing.

I have never personally supported eliminating the affordable housing goals—and I do not support their outright elimination now.

In the paper I noted that there are some implementation challenges with the current version of the housing goals that make them less effective at achieving their desired outcomes. Namely, Fannie Mae and Freddie Mac seller-servicers would often hold back pools of loans they knew to be "goals rich" in order to get premium pricing from the GSEs as the GSEs sought to meet their goals. This favorable pricing was then not passed on to borrowers, undermining the core purpose of the housing goals.

While Ginnie Mae has no direct oversight of housing goals, in my time at Ginnie Mae as COO I am and will remain squarely focused on ensuring continued support for low-income access to affordable housing. I do that primarily by protecting the integrity of our program and the value of our security, which translates directly into lower rates for FHA, VA, and USDA borrowers.

I believe there is an affordable housing crisis in this country and every Federal agency, including Ginnie Mae, should be thinking constructively about ways to address that crisis.

Q.5. Do you believe that the affordable housing goals were a primary cause of the financial crisis?

A.5. No, I do not believe that housing goals caused the financial crisis.

Q.6. The recent Ginnie Mae 2020 report outlines a number of steps that Ginnie Mae has taken or will take to manage evolving counterparty risks that were outlined by the HUD Inspector Gen-

eral and Ginnie Mae itself. However, Ginnie Mae 2020 does not address the staffing challenges at Ginnie Mae that were noted by a Ginnie Mae-commissioned KPMG audit, the Inspector General, and the Government Accountability Office.

How many full-time equivalents (FTEs) does Ginnie Mae currently employ? Of those FTEs, how many are contractors and how many are staff?

Do you believe that Ginnie has sufficient staff to adequately oversee its counterparty risks and daily operations?

As noted in Ginnie Mae's Annual Report, Ginnie Mae's issuer base has changed significantly over the past 10 years. How will changes in the type and number of Ginnie Mae issuers as you continue to refine and strengthen Ginnie Mae's risk framework?

A.6. We have 150 full-time employees at Ginnie Mae, and approximately 400 contractors. The vast majority of our contractors are at two subservicers (Selene and Carrington) that subservice loans for a runoff portfolio of loans Ginnie Mae assumed during the financial crisis. That book of loans began at about $35 billion in unpaid principal balance. It is now at $4 billion and continues to decline. Our second largest contracting presence comes from Deloitte, which supports Ginnie Mae with data analytics. Additionally, Ginnie Mae relies on Bank of New York Mellon for some aspects of bond administration.

As I mentioned during the hearing, Ginnie Mae would benefit from additional flexibility to reward highly technical staff, who we have difficulty retaining and attracting due to the differences in pay scale among Ginnie Mae, the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, and bank regulators. Ginnie Mae is the only one of these institutions subject to the General Schedule payscale. We have a reasonable number of employees, but attracting and retaining technical talent is critical, and we have lost some just in the one year I have served as COO.

Additionally, as discussed during the hearing and highlighted in a number of recent whitepapers, our shifting issuer profile means we need even more of our resources allocated to monitoring the financial health of our issuers (e.g., their ability to remit principal and interest). This includes keeping a close eye on the value of their mortgage servicing rights, which serve as Ginnie Mae's collateral in the event of an issuer default.

Q.7. Your current title at Ginnie Mae is Executive Vice President and Chief Operating Officer.

Have you had any other title(s) while working at Ginnie Mae? If so, on what dates were those titles held?

A.7. I also held the title of Acting President while the Administration pursued candidates for the role of President. I ceased to hold that title when the Administration began the vetting process for me as a potential nominee. The dates I was Acting President were July 11, 2017, to November 16, 2017.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN FROM MICHAEL R. BRIGHT

Q.1. Thank you for addressing the IRRRL churn issue during the hearing. Beyond your stated comments, does the VA mortgage program have any unique risk characteristics that you are paying particular interest to?

A.1. The VA program only covers 25 percent of the loan balance, whereas FHA and USDA cover 100 percent. This additional risk, however, is counteracted by the fact that VA loans tend to demonstrate incredibly low delinquency rates, even during economic downturns.

Q.2. The VA mortgage program as an earned benefit for servicemembers, past and present, that has performed well over the years. In your view, is Ginnie Mae a partner to the VA in ensuring that our veterans and active-duty personnel are able to take full advantage of this benefit?

A.2. Ginnie Mae is absolutely an enthusiastic partner of the VA in helping to ensure veterans have access to this earned benefit. We also believe strongly that the actions we, Congress, and the VA have taken in recent months help ensure the VA loan program remains viable for future veterans.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM MICHAEL R. BRIGHT

Q.1. In your 2017 paper entitled "Affordable Rent and Access to Homeownership", you advocate for a 10-basis point user fee on all mortgages securitized in the new system to generate funding for affordable home ownership and rental options.[1]

Is it true that under your proposal, the fee would not be available to support access and affordability until a certain reserve threshold has been met?

How long would it take to meet that threshold?

Wouldn't that actually make affordable rental housing worse off in the short term while we are building the reserve and during a crisis than the status quo, which at least gives 4.2 basis points to the Housing Trust Fund and the Capital Magnet Fund?

In your proposal, you state this structure would create a "natural countercyclical buffer" where funding of affordable homes and home ownership options would be curtailed in a crisis. Please explain why we should wind down access and affordability in an economic downturn? Didn't the last crisis demonstrate that having a countercyclical source of affordable loans and refinancing options was critical to keeping the mortgage market afloat?

A.1. A great deal of research points to the fact that the portion of American incomes spent on housing continues to rise to what I believe are unsustainable levels. This is particulary true for low- and moderate-income Americans. I believe every Federal agency, including Ginnie Mae, has an obligation to examine what it can do to address this problem. That is what I have done for the past year

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[1] *https://assets1c.milkeninstitute.org/assets/Publication/Viewpoint/PDF/Affordable-Rent-and-Access-to-Homeownership2.pdf*

at Ginnie Mae and that is what I am committed to continuing if I am confirmed.

The paper I coauthored with Ed DeMarco included a 10-basis point access fee as one of its proposals to help ensure access to affordable home ownership and affordable rental housing for lower-income Americans. In contrast to the current 4.2 basis point fee in statute, which only applies one time at the origination of a new loan, our proposed fee would be applied annually. The larger fee and annual application of the fee would generate roughly 10 times the total revenue of today's one-time 4.2 basis point fee.

Under our proposal, this 10-basis point annual fee was meant to augment a much-expanded duty to serve all markets at all times. In some ways, the paper was suggesting that there may be more robust ways of establishing rules for secondary market actors operating in a Government-subsidized system—rules that would be explicitly designed to ensure that the focus on the system remained on low- and moderate-income Americans. We proposed robust "anti-creaming" rules as well.

I have reread the paper since the hearing and I understand how it could leave the impression that the 4.2 basis point up-front fee would not accrue during the build-up of the new system. That was never the intent, and I am happy to clarify that, if there were to be reform, these funds should continue to be available throughout the transition process.

As for the countercyclical buffer in our paper, the reserve fund was intended to serve the function you describe—to keep the mortgage market afloat during a downturn. The Government could draw on the reserve fund during a downturn to stabilize the market. The reserve fund is a better alternative to increasing affordable housing fees or guarantee fees in a crisis because increased fees could exacerbate the downturn and reduce access to affordable housing.

Addressing the affordable housing crisis is a priority of mine and I am ready to work as a partner with you to do all we can to solve it.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM MICHAEL R. BRIGHT

Q.1. During your testimony during the Banking Committee, you testified on your tenure at Countrywide and Wachovia. You also testified that you would commit that lenders participating in programs through Ginnie Mae would be appropriately scrutinized under your leadership.

How will you ensure that lenders whose mortgages are insured by Ginnie Mae are not engaging in predatory or abusive loan practices, like dual tracking, loan churning, or preventing refinancing?

A.1. Given Ginnie Mae's position in the value chain of mortgage production (e.g., securitization and bond administration after loans have been made) as well as the fact that we have no direct oversight authority over consumer credit law (that is, we cannot conduct on-site reviews of consumer protection issues), Ginnie Mae relies to a great degree on our partner Federal agencies to police bad behavior. However, when Ginnie Mae sees data suggesting behav-

ior that might be questionable at best, we can and do make referrals to these partner agencies—the Department of Agriculture (USDA), Veterans Administration (VA), and Federal Housing Administration (FHA)—as well as the Consumer Financial Protection Bureau (CFPB). Over the past year, we have communicated directly with all these agencies on matters that appear to imply a form of predatory behavior.

What Ginnie Mae can do, and has done in the past year, is look at trailing data of the performance of loans in our securities. When an issuer has performance that is materially outside that of its peers and when that performance threatens the health of our security, we can and have removed those lenders from our so-called "multi-issuer pools." When we did this, we were proactive in making our concerns knows to the VA, FHA, USDA, and CFPB and asked them for help.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM RAE OLIVER DAVIS

Q.1. The Administration is pursuing significant changes that would limit the use of the False Claims Act. How does the HUD Inspector General use the False Claims Act today and how would any changes impact your work?

A.1. The False Claims Act is an important tool in combating fraud against the Federal Government. The Department of Justice (DOJ) is the agency vested with authority to bring suit under the False Claims Act (FCA), but HUD OIG investigations may be conducted jointly with DOJ or serve as the basis for suits and/or settlements advanced under a theory of liability under the FCA.

HUD OIG will continue to conduct its work and refer matters to DOJ for appropriate action, regardless of any changes made to the way the FCA is used. With that said, if confirmed, I would seek a seat at the table with DOJ and HUD to discuss future utilization of the FCA to ensure that HUD OIG's perspective is represented adequately.

Q.2. There have been several allegations of ethics violations by Trump administration political appointees, including some at HUD under Secretary Carson's leadership. I am not asking for you to comment on any of these allegations, but I am interested in your willingness to act as an impartial investigator. Do you pledge, if confirmed, to conduct investigations into allegations of misconduct in an impartial manner, without regard to whether the subject is an appointee of the Administration?

A.2. Yes. If confirmed, I pledge to be an independent Inspector General that is impartial, unbiased, and objective in fact-finding and reporting. As I stated in my opening statement before the Committee, if confirmed, I will not allow the Department to direct or obstruct my investigations. It is my firm belief that politics have no place in the decision making of an Inspector General. I will be independent and impartial in investigations of all HUD officials, including political appointees.

Q.3. The Office of Inspector General serves an important role in investigating allegations of misconduct and conducting audits. Often,

these reviews are retrospective. In your view, can the Office of Inspector General play a role in proactively assisting HUD and its grantees, participants, counterparties, and partners to implement best practices? If so, how would you go about that?

A.3. Yes. I believe that IGs can be extremely effective by engaging proactively. Helping the Department avoid losses is the most efficient way to achieve the purposes of an IG. We can be effective proactively through communication and innovation. Engaging with HUD to ensure we are up to speed on issues arising in their programs is critical to doing meaningful, proactive work. For example, HUD OIG has recently done capacity reviews of grantees that will administer HUD CDBG-DR funds. If confirmed, I will seek to do more of these type of reviews of CDBG-DR grantees, but also in other HUD programs.

I also believe we must find new ways to do our work so that we can effectuate change and push HUD forward towards success. Utilizing data and cutting-edge technology can help IGs move swiftly and focus our efforts. If confirmed, I will work to make HUD OIG a data-driven workforce that plans our work in areas where the data tells us we should be looking.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM RAE OLIVER DAVIS

Q.1. Since Secretary Carson was confirmed, there have been multiple allegations of HUD employees facing retaliation and reprisals for speaking out about various misconduct ranging from spending decisions to overpayments to contractors. If confirmed, will you commit to fully investigating and addressing any allegations of retaliation or reprisal directed at HUD employees?

A.1. I will. Whistleblowers are the life-blood of IGs. We rely on their courage and dedication and, if confirmed, I pledge that my office will be as dedicated and courageous in efforts to defend and protect whistleblowers. We can achieve this through thorough investigation of allegations of retaliation and effective communication and collaboration with the Office of Special Counsel. Equally important is our communication with whistleblowers and HUD employees about the laws applicable to whistleblower retaliation and the process available to report potential retaliation.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER FROM RAE OLIVER DAVIS

Q.1. *DATA Act:* In November 2017, the Office of Inspector General completed a DATA Act Compliance Audit in accordance with the statutory requirements of the Digital Accountability and Transparency Act of 2014. That report made five recommendations to improve HUD's compliance with DATA Act requirements. While the Department has made progress in these efforts, would you continue to devote appropriate resources to fulfill your oversight responsibilities under the law?

A.1. Yes. If confirmed, I will ensure that our office has sufficient resources devoted to monitoring HUD's compliance with the DATA Act and all Federal laws. If confirmed, I plan to coordinate with

HUD's leadership early on to identify ways HUD can implement open recommendations related to its top management challenges, including the DATA Act recommendations from our 2017 report.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM RAE OLIVER DAVIS

Q.1. During the Trump administration, we've seen a number of Secretaries break ethics rules, including Secretary Carson. In addition to overspending taxpayer funds on redecorating, Secretary Carson has used his position to give his family members undue influence over policy decisions, and unfettered access to other Government officials, including those they have business before. I, along with several of my colleagues, have sent letters to the HUD OIG requesting investigation into Secretary Carson's actions during his tenure as Secretary.

Given the important role you've been nominated to, can we expect you to stand up to powerful political interests, like Secretary Carson?

A.1. Absolutely. One of the priorities that I outlined to this Committee in my confirmation hearing was conducting thorough investigations of misconduct within, and affecting, HUD. This applies to any HUD employee, appointee, and individual or entity that is involved with or seeking involvement in HUD programs or platforms.

Q.2. Will you commit to respond in a timely manner to requests for information from Members of this Committee, and the Senate?

A.2. Yes. If confirmed, I will provide timely responses to every request made of HUD OIG.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM DINO FALASCHETTI

Q.1. In 2017, the House of Representatives passed the Financial CHOICE Act, H.R. 10. At the time, you served as Chief Economist for the House Financial Services Committee. Section 151 of the CHOICE Act repeals the Office of Financial Research. Do you think the Office of Financial Research should exist? If so, was Section 151 of the CHOICE Act a misguided provision in the bill?

A.1. I believe the OFR should exist, and has a critically important mission.

If confirmed, I will work to fulfill the OFR statutory mission to support the Financial Stability Oversight Council in fulfilling its purposes and duties, and promoting a more resilient financial sector by providing the FSOC firmly grounded, and data-driven, research it needs to evaluate and address risks to financial stability.

Q.2. The Director of the Office of Financial Research has broad authority to set the budget and staffing levels at the agency. The agency is funded through assessments on systemically important financial institutions. The FY2018 and FY2019 OFR budgets drastically reduce the annual funding and staffing levels of the agency. Compared to FY2017 levels, the recent OFR budgets have cut funding by 25 percent and staffing by over 35 percent. If confirmed, would you reverse these budget cuts?

A.2. I understand there are efforts underway to reorganize the OFR. If confirmed, I will review these reorganization efforts to ensure that the agency has the appropriate resources and staff necessary to fulfill its statutory mission and support the Financial Stability Oversight Council.

Q.3. In your confirmation hearing, you stated that the OFR Director does not have independence when it comes to setting the agency's budget and that the decision is a "conversation with the Treasury Secretary." Section 152(c) and (d) of Dodd–Frank states that the Director must consult with the Treasury Secretary when setting budget and staffing levels, but the final decision rests with the Director. Per your reading of Dodd–Frank, which official has final say over the OFR's budget? If you disagree with the Treasury Secretary regarding the agency's budget and staffing levels, will you defer to the Treasury Secretary or will you implement budget and staffing levels that you think are appropriate?

A.3. Section 152(c) of the Dodd–Frank Act states the "Director, in consultation with the Chairperson, shall establish the annual budget of the Office." Section 152(d) states that the "Director, in consultation with the Chairperson, may fix the number of, and appoint and direct, all employees of the Office." If confirmed, and in consultation with the Chairperson—as directed by statute—I will implement a budget and make staffing decisions that allow the agency to fulfill its statutory mission and support the Financial Stability Oversight Council.

Q.4. The Office of Financial Research recently published a proposed rule to collect additional data on the repurchase agreement (repo) market. According to the proposed rule, regulators would only have access to data on roughly 50 percent of the repo market after the new data is collected. This short-term funding market played a central role in the 2007–2008 financial crisis, as a run on these liabilities helped bring down investment banks Bear Stearns and Lehman Brothers—while causing significant stress at countless other institutions. Ten years after the financial crisis, it is troubling that regulators do not have the data necessary to clearly evaluate this market. Do you commit to implementing the proposed data collection and expanding its scope to provide regulators with a clear picture on 100 percent of this systemically important funding market?

A.4. If confirmed, I will work with the other members of FSOC to evaluate data needs in order to fulfill OFR's statutory mission, including evaluating the potential need for additional data collection in the short-term funding market.

I will also commit to reviewing the proposed rule to determine if the size and scope of the information proposed to be collected is appropriately calibrated, and allows the OFR to fulfill its mission and support the Financial Stability Oversight Council.

Q.5. One part of the OFR's mission is to conduct long-term research on emerging risks to the broader financial sector. The agency was designed to be an independent source of such research—driven by data, not politics. How will you set the agenda for OFR's research projects? Do you think OFR should take requests for re-

search from the financial services industry? Do you commit to publishing rigorous, data-driven research, even if you may personally disagree with some of the conclusions?

A.5. OFR's core purpose is to serve FSOC and its member agencies. I believe the OFR's mission is critically important in promoting a more resilient financial sector by providing the FSOC with firmly grounded, and data-driven, research it needs to evaluate and address risks to financial stability. If confirmed I will determine what research is needed based on an assessment of what will best serve the FSOC in fulfilling this mission in both the short-term and the long-term.

My academic career taught me the importance of not pretending to know the answer to important questions before seeing the facts. Instead one must apply rigorous empirical analysis to see what the real world data show.

Q.6. What will be your research priorities for the OFR, if confirmed?

A.6. If confirmed, my first goal is to provide FSOC and its member agencies with the firmly grounded and data-driven research they need to evaluate and address risks to financial stability. Fulfilling this goal is important for robust economic growth and taxpayer protections. My second goal is to build out OFR's foundational work to strengthen market discipline by increasing financial market transparency. Working toward this goal promotes financial stability and strengthens economic growth.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM DINO FALASCHETTI

Q.1. Do you agree that the recent rule proposal on cleared transactions in the repurchase agreement market (RIN 1505–AC58) is broader in scope and seeks data fields beyond what is necessary to inform the FSOC according to the stated purpose explained in the accompanying release to the proposal?

A.1. If confirmed, I will commit to reviewing the proposed rule to determine if the size and scope of the information proposed to be collected is appropriately calibrated, and allows the OFR to fulfill its mission and support the Financial Stability Oversight Council.

Q.2. Would you be open to industry comment on how this proposal could be made less burdensome to the industry by revisiting both the scope and implementation timing for the proposal?

A.2. According to the *Federal Register*, the OFR is receiving public comment on the rule until September 10, 2018.

Q.3. If confirmed, how will you reconcile any future OFR rulemakings with the Trump administration's efforts to streamline regulation and regulatory burdens? Further, if the OFR intends to collect additional data from the financial services industry given all the recent Government data breaches, how will you work to ensure privacy and appropriate security controls are in place around the data once received by OFR?

A.3. Data security is of the utmost importance to the mission of the OFR. If I am confirmed, rest assured that I will take this responsi-

bility very seriously and will review the policies and procedures that are in place in order to determine if they are adequate to maintain the security of the data. Doing so is important to maintain the confidence of the entities from which the data are being collected and the confidence of the American people in our broader financial markets.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM DINO FALASCHETTI

Q.1. As you know, OFR is designed not only to be an independent, data driven, deeply analytical, and apolitical research organization, but also to serve as an early warning system to identify risks before they snowball into another financial crisis.

In a June 11, 2018, Yahoo! Finance article, the Chief Investment Officer of Global Fixed Income at Goldman Sachs Asset Management was quoted as saying the following:

> When the music stops I do think it's going to be pretty ugly . . . We've sown the seeds for the next downturn and there's a lot of similarities . . . After '08 everyone was like, 'I can't believe we did all those very stupid things.' But we're doing them all over again.

What are the one or two risks that you already know should be explored and will commit to explore comprehensively, if confirmed?

A.1. First, I would want to learn more about how OFR's own monitors and research rank such risks and the basis for those rankings. OFR employs a number of very capable researchers and support staff, and I would want to consult with the staff before providing any ranking.

Second, we must always be vigilant about the potential buildup of risks to the financial system, such as the risks that could be posed by cybersecurity threats or overreliance on short-term wholesale funding.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM DINO FALASCHETTI

Q.1. President Trump has supported cutting OFR's budget and staff by nearly 38 percent. [1]

Do you support these cuts?

A.1. I understand efforts are underway to reorganize the OFR. If confirmed, I will review these reorganization efforts to ensure that the agency has the appropriate resources and staff necessary to fulfill its statutory mission and support the Financial Stability Oversight Council.

Q.2. Since the beginning of the Trump administration, FSOC has voted to deregulate, or backed down on systemically important designations, including a designation for AIG and agreeing to dismiss the SIFI designation of MetLife. The Office of Financial Research

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[1] Savransky, Rebecca. "Trump Slashing Staff, Budget at Office of Financial Research: Report". *The Hill*. December 6, 2017. Available at: *http://thehill.com/homenews/administration/363493-trump-slashing-staff-budget-at-office-of-financial-research-report.*

is responsible for supporting FSOC in their activities, including analyzing data and performing long term research.

Do you believe there are any current risks in our financial system that pose challenges to our short-term or long-term economic health? If so, what are they?

A.2. If confirmed, I will review data, and work with FSOC member agencies to identify possible sources of systemic risk that could impact our economic health, including potential cybersecurity risks and those related to overreliance on short-term wholesale funding. I look forward to working with members of this Committee and your staff to outline these issues, including in OFR's Annual Report to Congress as required by statute.

Q.3. A recent report by the Treasury Department advised FSOC to make SIFI designations for nonbank financial institutions based on complex activity analysis, as opposed to utilizing the $50 billion consolidated assets threshold. However, I am concerned by a recent *New York Times* article that highlighted gaps in regulators' awareness of the derivatives market, particularly in regards to American banks' exposure to foreign markets.[2]

Do you support FSOC shifting away from asset threshold to activities analysis to inform SIFI designations?

A.3. Examining institutions based on activities will allow the FSOC to better understand the specific risks an institution may pose to the financial system, thus improving the process for monitoring risk to the financial system. If confirmed, I will work to provide the FSOC with firmly grounded, data-driven research that will aid in this process and allow them to evaluate and address risks to financial stability.

Q.4. Do you believe that current data reported to regulators accurately depicts nonbank financial institutions' risk exposure?

A.4. While I cannot speak for the specific data collection efforts of regulatory agencies, I believe the OFR's mission is critically important in promoting a more resilient financial sector by providing the FSOC with firmly grounded, data-driven research it needs to evaluate and address risks to financial stability. If confirmed I will determine what research is needed based on an assessment of what will best serve the FSOC in fulfilling this mission.

Q.5. Do you believe financial regulators have the staff and resources needed to request and analyze data on derivatives trades?

A.5. While I cannot speak for other regulatory agencies, if confirmed I will work in consultation with the Chairperson of FSOC to ensure that OFR has the appropriate resources and staff necessary to fulfill its statutory mission and support the Financial Stability Oversight Council.

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[2] Flitter, Emily. "Decade After Crisis, a $600 Trillion Market Remains Murky to Regulators". *New York Times*. July 22, 2018. Available at: *https://www.nytimes.com/2018/07/22/business/derivatives-banks-regulation-dodd-frank.html.*

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES FROM DINO FALASCHETTI

Q.1. The work conducted by the Office of Financial Research has many audiences—academics, industry, policymakers, and the public.

One of those critical roles is producing research that can help inform legislators as we examine financial markets, now a decade after the financial crisis.

Having experience in Congress, what are some areas of opportunities you can see for OFR to expand its relationship with lawmakers, while maintaining its independence?

A.1. If confirmed, I look forward to working with you, other Members of Congress—especially those on the Senate Banking and House Financial Services Committees—and the other FSOC members to promote a more resilient financial sector. I sincerely look forward to building and maintaining a constructive dialogue with members of both chambers and both sides of the aisle while respecting OFR's statutory mission. As a Congressional staffer, I very much appreciate the role of Congress and the importance of keeping Congress informed about these important issues affecting Americans across the country.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

LETTER SUBMITTED IN SUPPORT OF THE NOMINATION OF ELAD ROISMAN AND DINO FALASCHETTI

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

NEIL L. BRADLEY
EXECUTIVE VICE PRESIDENT &
CHIEF POLICY OFFICER

1615 H STREET, NW
WASHINGTON, DC 20062
(202) 463-5310

July 24, 2018

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and
Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and
Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

The U.S. Chamber of Commerce urges the Committee to report the nominations of Elad Roisman to be a Member of the Securities and Exchange Commission, and of Dr. Dino Falaschetti to be the Director of the Office of Financial Research (OFR).

Mr. Roisman has extensive experience in the legislative branch at the SEC and in private practice as an attorney. With his unique and well-rounded career, he would provide an experienced and knowledgeable voice at the SEC, an agency that has a critical mission and role within our financial regulatory structure.

Dr. Falaschetti is a respected economist with past experience in the legislative and executive branches, academia, and the private sector that would be critical to the proper functioning of the OFR.

The Chamber thanks you for expeditiously considering these important nominations.

Sincerely,

Neil L. Bradley

Cc: Members of the Senate Committee on Banking, Housing, and Urban Affairs

LETTERS SUBMITTED IN SUPPORT OF THE NOMINATION OF MICHAEL R. BRIGHT

NATIONAL ASSOCIATION of REALTORS®

Elizabeth Mendenhall
2018 President

Bob Goldberg
Chief Executive Officer

ADVOCACY GROUP
William E. Malkasian
Chief Advocacy Officer/Senior Vice President

Jerry Giovaniello
Chief Lobbyist

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July 24, 2018

Chairman Michael Crapo
Senate Banking Committee
538 Dirksen Senate Building
Washington, DC 20510

Ranking Member Sherrod Brown
Senate Banking Committee
538 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

The 1.3 million members of the National Association of REALTORS® support the nomination of Michael Bright as President of the Government National Mortgage Association (GNMA). NAR believes he has the expertise and credentials to serve the agency well.

Mr. Bright's extensive finance background makes him an ideal candidate to lead GNMA. His experience, both in and out of the government, give him a broad understanding of capital markets and the housing industry. As a former Hill staffer, Mr. Bright has experience with the policy issues affecting GNMA as well as mortgage and financial markets.

The National Association of REALTORS® supports his nomination and urges the Senate Banking Committee to approve his nomination.

Sincerely,

Elizabeth J. Mendenhall

Elizabeth Mendenhall
2018 President, National Association of REALTORS®

cc: Senate Banking Committee

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

Sincerely,

Elizabeth Mendenhall
2018 President, National Association of REALTORS®

2101 Wilson Boulevard, Suite 610
Arlington, VA 22201

July 23, 2018

The Honorable Michael Crapo
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
713 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

The Community Home Lenders Association (CHLA) writes to express our support for the confirmation of Michael Bright as President of the Government National Mortgage Association (GNMA).

GNMA is a critically important program for low and moderate income, minority, and underserved homebuyers. The program allows originators to securitize FHA, RHS, and VA mortgage loans, in order to access securities markets and provide affordable mortgage rates.

CHLA is composed of small and mid-sized non-bank mortgage lender/servicers, also known as independent mortgage bankers (IMBs). In recent years, the IMB share of GNMA has increased significantly, from 18% in FY 2009 to 78% in the first part of FY 2018. This reflects both a strong increase in the IMB market share of FHA loan originations, and also the issuance of GNMA securities by IMBs that previously securitized their FHA loans through banks, some of which have exited that market. Therefore, GNMA is also critically important to IMBs.

CHLA believes that Mr. Bright has the experience and knowledge that is needed to run the program, with a background that includes an impressive stint as a committee staffer for a senior Senator on the Banking Committee, relevant work in the private sector, and most recently a full year as Executive Vice President and Chief Operations Officer at GNMA. A steady hand is needed at GNMA – and CHLA believes Mr. Bright is that steady hand.

CHLA also believes that Mr. Bright has an appreciation for the importance of continued participation of a broad range of hundreds of different issuers in GNMA, in order to facilitate access to credit for homebuyers.

Of course, GNMA should continue its important task of monitoring and supervising the net worth and liquidity of its issuers, in order to run the program in a financially prudent manner. However, we would point out that GNMA has consistently been profitable, even during the darkest days of the 2008 Housing Crisis, and is projected to produce $1.7 billion in net profits in the current fiscal year, according to this year's HUD budget.

Therefore, concerns about financial supervision of issuers should be balanced with concerns about maintaining broad issuer participation, in order to serve consumer access to credit needs.

We have confidence that Mr. Bright will balance these important objectives as President of GNMA.

Sincerely,

COMMUNITY HOME LENDERS ASSOCIATION

National Association of Home Builders

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Government Affairs

James W. Tobin III
Executive Vice President & Chief Lobbyist
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July 23, 2018

The Honorable Mike Crapo
Chairman
United States Senate Committee on
Banking, Housing, and Urban Affairs
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
United States Senate Committee on
Banking, Housing, and Urban Affairs
713 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the National Association of Home Builders (NAHB), I am pleased to offer our strong support for the nomination of Michael Bright to serve as the President of the Government National Mortgage Association (Ginnie Mae) at the Department of Housing and Urban Development (HUD).

NAHB has worked with Michael for much of his professional career, starting during his tenure as a financial policy staffer in the Senate, to his more recent work as director of the Milken Institute's Center for Financial Markets, and now currently as the Acting President, Executive Vice President, and Chief Operating Officer of Ginnie Mae. Throughout his career in both the government and private sector, Michael has proven himself to be both an expert in housing finance policy as well as an outstanding federal agency administrator and communicator. NAHB has full confidence in Michael for this critical position at HUD, and believes that he will bring his usual high-level policy experience and professionalism to Ginnie Mae.

As housing goes, so goes the economy. To ensure the housing recovery continues, it is essential to have a leader like Michael at Ginnie Mae who is committed to promoting pro-housing policies that support homeownership and rental housing opportunities for hard-working American families.

NAHB looks forward to working with Michael Bright in his role as President of Ginnie Mae in 2018 and beyond.

Sincerely,

James W. Tobin III

CC: Members of the United States Senate Committee on Banking, Housing, and Urban Affairs