

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“H.R. 1185, THE DEPOSIT INSURANCE REFORM ACT OF 2005”
MARCH 17, 2005**

Chairman Bachus and Ranking Member Sanders,

I want to express my sincere appreciation for you holding this very important hearing today, and I especially want to thank you, Chairman Bachus, for introducing H.R. 1185, the “Deposit Insurance Reform Act of 2005” that we are considering here today. I look forward to cosponsoring this legislation every Congress, but I hope that the “winds” are with us this time and the bill will finally become law.

As most of us here are aware, the full faith and credit of the United States stands behind trillions of insured deposits at banks and savings associations. This insurance guards savers’ accounts up to \$100,000, providing stability to banks and to the economy since its inception in the 1930s.

From the time I was appointed to this prestigious Committee, we have been examining many proposals for changes in the federal deposit insurance system for banks and savings associations and the share insurance program for credit unions. Under your guidance, Chairman Bachus, we have considered legislation with provisions to balance the financial condition of insured institutions, ensure the financial strength of the insurance funds, and provide competitive equality among participating institutions, including federally-insured credit unions.

In the 108th Congress, this Subcommittee re-examined all these issues. H.R. 522, the “Federal Deposit Insurance Reform Act of 2003,” sought to restructure Federal Deposit Insurance Corporation (FDIC), change the FDIC’s pricing of insurance, and increase basic per-account coverage to \$130,000 and for future inflation. It also provided greater insurance of municipal deposits. H.R. 522 passed the Committee with the Oxley-Frank Manager’s amendment and passed the House on April 2, 2003, but the Senate failed to take a similar approach to deposit insurance reform. I was proud to cosponsor that legislation.

While I am pleased to learn that the current Administration continues to support deposit insurance reform similar to that proposed in earlier Congresses, I am disheartened by its continued opposition to raising coverage of accounts to \$130,000. Our financial institutions need this increase in coverage, especially our community banks. During one of the many hearings on deposit insurance reform over the years, Chairman Alan Greenspan of the Federal Reserve contended that there will always be a niche for community banks, thus negating the need for increased deposit insurance coverage. I believe that he is mistaken and that our community banks are at a competitive disadvantage of their larger counterparts. Consequently, I support H.R. 1185 and hope that it finally becomes law.

Having said that Mr. Chairman, I yield back the remainder of my time.