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Opening Statement  
**Chairman Michael G. Oxley**  
**Committee on Financial Services**

**Subcommittee on Financial Institutions and Consumer Credit**  
**March 17, 2005**

**Hearing on H.R. 1185, the Federal Deposit Insurance Reform Act of 2005**

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Thank you, Chairman Bachus, for holding this hearing on your recently introduced legislation to reform the Federal deposit insurance system, which I am proud to cosponsor. I join you in welcoming Chairman Powell back to the Committee. We always benefit from your wise counsel, not only on deposit insurance reform, but on the whole range of issues and challenges facing our nation's banking system.

With respect to deposit insurance reform, we have obviously been around this track before. Thanks in no small measure to the energetic leadership and commitment of Chairman Bachus, the House has passed comprehensive reform legislation in two successive Congresses, both times with well over 400 votes, only to watch it die in the Senate. The swearing in of a new Congress brings hope that the other body will take a fresh look at the need for this critically important legislation. I take Chairman Shelby at his word that deposit insurance reform will receive consideration in his Committee in this Congress, and I know that there are many Senators on both sides of the aisle who stand ready to help him move the process forward.

The reasons for reforming the deposit insurance system are every bit as compelling and urgent today as they were three years ago when we first embarked upon this journey. Merging the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) into a single deposit insurance fund will create administrative efficiencies and promote fundamental fairness in the system. Giving the FDIC more flexible tools for managing the insurance funds according to changing economic conditions, while at the same time ensuring that funds are returned to the industry in the form of rebates and credits when circumstances warrant, promotes economic stability and addresses the current system's pro-cyclical bias. All of these reforms command broad consensus among banking regulators and in the banking industry.

On the issue of deposit insurance coverage levels, which have now gone a record 25 years without being updated, Chairman Bachus' legislation provides for incremental increases that promote retirement security and help to keep municipal deposits in the communities where they originated, to serve as a funding source for loans and other development initiatives. Chairman Bachus and I have indicated previously that while we believe the coverage increases that have received overwhelming support in the House are fully justified on public policy grounds, we are willing to entertain compromise on that issue if it is the price of achieving the other important reforms contained in the legislation.

As Chairman Powell has reminded us on more than one occasion, the time to reform deposit insurance is now, while the banking industry is enjoying record profitability, bank failures are at historically low levels, and the insurance funds are well capitalized, **not** when conditions have deteriorated and we find ourselves legislating (as we so often do) in a crisis environment.

Before closing, I also want to take this opportunity to commend Chairman Powell for his leadership in achieving consensus with other Federal banking regulators on a significant (and long overdue) revision of the regulations implementing the Community Reinvestment Act (CRA). By raising the asset threshold for streamlined CRA examination treatment and building greater flexibility into the CRA compliance process, the new regulations give much-needed regulatory relief to America's smaller banks, while at the same time ensuring that these institutions continue to serve the needs of their communities.

I hope that the same spirit of inter-agency cooperation that informed the new CRA regulations can produce meaningful recommendations later this year for relieving other unnecessary regulatory burdens on the banking industry, as part of the so-called EGRPRA process on which the FDIC is taking the lead among the Federal banking agencies.

I look forward to Chairman Powell's testimony, and I yield back the balance of my time.

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