



# BUDGET COMMITTEE



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**Senator Gregg's Opening Statement at Hearing  
On the Federal Response to the Housing and Financial Crisis  
January 28, 2009  
(unofficial transcript)**

Let me join you, Mr. Chairman, in welcoming Senator Warner. It's always nice to have former governors on the Committee and in the Senate, because we bring intuitive logic and thoughtfulness. It's also nice to welcome Senator Alexander back -- sort of like Halley's Comet, he has returned to the Committee, and we are honored.

I want to associate myself with the Chairman's remarks once again -- I find myself doing that a lot recently -- I think his definition and analysis of the problem is right on. We need stimulus badly but we need it in the right places. The place where we need it is on the problem, and the problem is to get some value in the real estate market so that we can give people confidence again. Most people's primary asset is their home and if they don't feel their home has the value that they have invested in it then they lose their confidence in their future.

And of course the price of real estate and the ability to maintain real estate prices is critical to the financial industry, which does the lending. They have to be able to value their assets so they need to be able to have a fixed value on their real estate portfolio and in this economy, that's been hard to get.

So like the Chairman, I am disappointed that the stimulus initiatives which we're seeing so far -- and which as the Chairman mentioned were marked up in the Finance Committee; they were also marked up in the Appropriations Committee, where I am a member -- do not address in a more aggressive and robust way the issue of real estate prices and how we keep people in their homes and how we reduce foreclosures.

Also I'm concerned that so much of the stimulus package is really outside the next two years. CBO has estimated, I believe, that it's over 50 percent that will be spent out in 2011 and beyond on the appropriations side and that's not good. We'd like to get this money out the door sooner. The Administration has said, and I respect Mr. Orszag's representation, that they're going to restructure this in a way that allows them to get 75 percent out the door in the next 18 months. I hope they can do that, but I tend to have

more confidence in the CBO estimate, to be honest with you, because you are a fair arbiter on this issue.

So I believe that there are some adjustments which we can make in this stimulus package which would hopefully make it stronger and better. We do need a stimulus package, we need it badly, but we need it to be on point and the point is that we have to get real estate prices and the real estate portfolios stabilized.

In addition, I want to express my appreciation for what the Administration has done in this area. Yesterday the President came to our Conference, which is chaired by the Senator from Tennessee. He made an excellent presentation, I thought, and a substantive presentation, and addressed his approach and what they are planning to do in a very comprehensive way, in a way that gave me a lot of confidence that they are on the right track.

In that context, he talked about a three-legged stool, essentially, one of which is the stimulus, another of which is initiatives in the area specifically of stabilizing real estate prices, probably using the FDIC although he wasn't that specific, and the third is the issue of cleaning up the balance sheets of the financial industries, again probably through using a bad bank, although he wasn't that specific.

However, we haven't seen the second two legs of the stool and the stimulus package is all we have to look at and the stimulus package as its presently structured doesn't accomplish what I think needs to be done in that area. So, we're going to be interested in your views on this. I think that this is at the core of the present problems we confront.

I also want to second, of course, the ending of the Chairman's statement which reflected the need to address the long-term fiscal health of our nation by addressing the entitlement issues, which is critical and now is a good time to do it. We're in crisis, people are sober, there's a sense of community here that often doesn't exist in the Congress, there's a willingness to work across the aisle, so let's move on that issue right now while the iron is hot and we can get things done and there's a good will to do that. And again, I congratulate the President for stepping up and saying he intends to do that. But I think sooner, rather than later, are the watchwords on that.

So we look forward to your comments, Dr. Elmendorf. Thank you.