COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

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ROOM 140
HARRISBURG, PENNSYLVANIA

BUDGET HEARING
DEPARTMENT OF BANKING AND SECURITIES

TUESDAY, FEBRUARY 11, 2014
1:09 P.M.

BEFORE:

HONORABLE WILLIAM F. ADOLPH, JR., Majority Chairman
HONORABLE KAREN BOBACK
HONORABLE JIM CHRISTIANA
HONORABLE GARY DAY
HONORABLE BRIAN ELLIS
HONORABLE GARTH EVERETT
HONORABLE GLEN GRELL
HONORABLE SETH GROVE
HONORABLE ADAM HARRIS
HONORABLE THOMAS KILLION
HONORABLE DAVID MILLARD
HONORABLE MARK MUSTIO
HONORABLE DONNA OBERLANDER
HONORABLE BERNIE O'NEILL
HONORABLE MICHAEL PEIFER
HONORABLE SCOTT PETRI
HONORABLE JEFF PYLE
HONORABLE CURT SONNEY
HONORABLE JOSEPH MARKOSEK, Minority Chairman
HONORABLE BRENDAN F. BOYLE
HONORABLE MATTHEW BRADFORD
HONORABLE MICHELLE BROWNLEE

BEFORE: (cont'd)

HONORABLE MIKE CARROLL
HONORABLE H. SCOTT CONKLIN
HONORABLE MADELEINE DEAN
HONORABLE DEBERAH KULA
HONORABLE TIM MAHONEY
HONORABLE MICHAEL O'BRIEN
HONORABLE CHERELLE PARKER
HONORABLE JOHN SABATINA
HONORABLE STEVEN SANTARSIERO
HONORABLE JAKE WHEATLEY

ALSO PRESENT:

HONORABLE KERRY BENNINGHOFF
HONORABLE JOE HACKETT
HONORABLE RICK SACCONE
HONORABLE BRYAN BARBIN
HONORABLE TOM CALTAGIRONE
HONORABLE DOM COSTA
HONORABLE DAN FRANKEL
HONORABLE JARET GIBBONS
HONORABLE BILL KORTZ
HONORABLE MARK LONGIETTI
HONORABLE CURTIS THOMAS

DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
RITCHIE LAFAVER, MAJORITY DEPUTY EXECUTIVE DIRECTOR
DAN CLARK, MAJORITY CHIEF COUNSEL
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P R O C E E D I N G S

MAJORITY CHAIRMAN ADOLPH: Good afternoon, everyone. Like to reconvene the House Appropriations Committee.

We now have in front of us our next testifier, Mr. Glenn Moyer. Mr. Moyer is the secretary of the Department of Banking and Securities. And he's no stranger in front of this committee.

And I welcome you, and looking forward to your testimony. Would you like to open up with a brief, short statement?

SECRETARY MOYER: I would. Thank you.

MAJORITY CHAIRMAN ADOLPH: Thank you.

SECRETARY MOYER: Good afternoon, Chairman Adolph --

MAJORITY CHAIRMAN ADOLPH: Mr. Moyer, Mr. Secretary, if you could use those mics. It's for -- you have to get actually a little closer than that -- for the PCN. As well as --

SECRETARY MOYER: How about that?

MAJORITY CHAIRMAN ADOLPH: That's perfect.

SECRETARY MOYER: Thank you.

MAJORITY CHAIRMAN ADOLPH: Thank you.

SECRETARY MOYER: Good afternoon, Chairman Adolph, Chairman Markosek, members of the committee. Thank you for inviting me here today to discuss the fiscal 2014-2015 appropriation for the Pennsylvania Department of Banking and Securities.

It's an honor to appear before you now for the third time to talk about the needs and the operations of the department. As you know, we have requested 30.7 million dollars to continue our important work supervising state-chartered depository institutions and licensed financial services companies and professionals. We also are focused on protecting the public in the sales and purchases of securities in Pennsylvania while encouraging the availability of equity and debt financing.

You will note that 22.8 million dollars of our request comes from the special banking fund and that 7.9 million dollars comes from the newly created securities deputate.

Last year saw an important transition period as the department worked to further implement Act 86 of 2012, which consolidated the Pennsylvania Securities Commission into the Pennsylvania Department of Banking. I'm pleased to report that the transition was implemented in good order. The Department of Banking and Securities is now operating under a new strategic plan as one, integrated financial services regulatory agency.

I want to thank you for your legislative support and leadership that you provided during this merger process, which we think streamlined functions, saved money, and created new efficiencies.

I'm also pleased to report that the new Banking and Securities Commission, under the leadership of Chairman Jerry Pappert, has been meeting on a quarterly basis in its new adjudicatory role, addressing contested actions and functioning collegially and smoothly.

In nearly three years as secretary of the department, I have been privileged to work with members of this committee on behalf of a dedicated and outstanding group of behind-the-scenes professionals who serve with me in the department. We appreciate the vote of confidence implicit in entrusting the Department of Banking and Securities to expend wisely 30.7 million dollars, and I assure you that we will work hard every day to deserve that confidence and be conscientious, efficient, and cost-effective stewards of the banking fund as well as moneys appropriated through the general fund.

Mr. Chairman, with that, I'll be happy to take any questions you might you have.

MAJORITY CHAIRMAN ADOLPH: Thank you. Thank you.

With us today is Representative Curtis Thomas. And Representative Thomas, because of scheduling issues, will receive the opportunity to -- is he here? Oh, he's outside. I didn't realize. So, we'll go to Chairman Markosek for comments.

MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

Permit me to introduce a couple of guests that we have here first, if you don't mind, Secretary. Representative Mark Longietti, from Mercer County, and Representative Jaret Gibbons are here as guests of the committee.

And I just want to say that, from my days as chairman of the Business and Commerce Committee, as we called it back in those days, you know, I had a very good relationship with the Department of Banking. You weren't there at the time, but, nevertheless, I worked with you and your staff, very knowledgeable staff, obviously. We had a very good relationship.

Mr. Chairman, with your permission, I'd like to introduce Chairman Curt Thomas, who has some questions.

REPRESENTATIVE THOMAS: Thank you, Mr. Chair.

Secretary, thank you for being here. And I'm still excited about your early energy, as you went on.

Couple areas of concern. One is, credit unions. Have we -- has the department taken a look at our -- in this next year, would the department take a look at how we can make credit more available to people across this commonwealth of Pennsylvania? I know a couple years ago, we looked at these community bank partnerships, partnerships between charter banks and community credit unions, as a way of expanding the availability of credit. So, I'd like you to take a look at that.

And the other big area that I'm interested in, in light of the Target breach, in light of a couple of other major companies whose records and financial transactions have been breached. So, my second area of concern is, what is the department doing to make sure that the transactions and records of the commonwealth are protected?

SECRETARY MOYER: Let me --

REPRESENTATIVE THOMAS: And how does that apply to state charter banks?

And I guess another way of raising the question is, does the department have a cyber security policy? And are there oversight mechanisms in place to make sure that information is protected?

SECRETARY MOYER: Let me just comment on the cyber security issues, because there's a lot of interest in that, and, unfortunately, it takes a significant breach, similar to what we've recently had in Target, similar to what we had a couple years ago in T.J. Maxx, to really catch people's attention and understand how vulnerable all of us can be, whether it's our individual records or whether it's businesses' records.

So, you know, when I get asked to go out and talk to and meet with the bank boards and credit union organizations across the commonwealth, probably cyber security and the fear of what that means is probably the topic that I get asked about directly the most, because there's two features to it. One is, clearly, the immediate loss of private information, whether it's individual or whether it is business oriented. But, beyond that, it also, for our businesses in the commonwealth, whether it's been the banks and credit unions as a business or whether it's individual for-profit organizations, there's tremendous reputation risk and loss of reputation that we, as consumers, really won't tolerate. And, so, it is the highest priority in most people's mind, and yet, it is probably, to some degree, the slowest evolving technology that is out there that people are trying to come around and do something effectively.

There are -- and I use the term "perpetrators" working in the shadows, and it sounds kind of dramatic, but I want to make that point. There are people out there that are not like us in this room, trying to do things credibly and for the good of society. They are out there trying to take advantage of others.

Right now, the best thing that we think we can do, as a state -- I have forty-nine other --

as I found out over the last three years, forty-nine other new best friends, one in each of the states and commonwealths, whether it's a commissioner or secretary. We work through an organization in Washington D.C. called CSBS, the Conference of State Banking Supervisors -- the State Bank Supervisors. And that really is where we pool our clout to get at the same table as the FDIC, the Federal Reserve, the OCC, the FBI, the Secret Service, to work on these things.

And so, we have been very actively working at that, putting some of our resources, putting some of our best technology examiners on a voluntary basis to work with them. And it is something that's going to take our time for the foreseeable future, because the day you think you accomplish something in cyber security and you take a deep breath to relax, somebody is already ahead of you doing something else. So, I don't have any easy answers for what is a -- is a tough issue.

We are working with -- and keep in mind that at the state level, both in the state banking charters and the state credit union charters, we do not do federal compliance examination. That's where we partner with either the Federal Reserve or the FDIC. And so, we are working closely with them to be as aware of it as we can be. But it is a big issue.

I'll make one other comment about that before I leave it, and I think it was highlighted nicely in the business section of the Patriot-News on February 6th. There was actually an article in there about local banks, whether they've joined the Target suit or not, but the perhaps more interesting article was the Chip Versus the Strip. And, here again, is something that, for instance, in Europe, they are significantly ahead of us on plastic having the electronic chip.

We have got to -- and I am hopeful that the Target size, the -- the size of Target operation and -- will get people focused on saying, It's time for us to move that technology forward. It's a cost factor. But, you know, what is the costing, really, when you have a breach and then you have to reissue every credit card in your portfolio? But this is not something that the banks can do alone. The retailers, who have relied on the bank credit card issuers for a long time to, in effect, be the backstop and absorb the losses, that can't continue.

And so, finally, I think there are actions that are going by the credit card issuers, the national credit card issuers, to simply say to the retail folks, You either got to step up and make your systems and your technology better and work with us on this, or we're not going to continue to indemnify you for any losses that come out.

It's the old "skin in the game." And right now, the banks got to -- and the credit unions have a lot of skin in the game. The retailers probably have to have more skin in the game before we get to where we need to get to. Long answer, but it's an important issue.

REPRESENTATIVE THOMAS: Well, and in the interest of time, I'd like to ask if you communicate with the two chairs, because, as I listen to you and I -- you know, I read up on some of this, I remember when the Commonwealth came face-to-face with the aggressive growth of technology in Pennsylvania. And as far as the commonwealth is concerned, I remember, during the early days, all twenty-one departments had to come up with their plan on how to integrate technology in their business. And then we left the individual departments to this enterprise network. And so that there could be some umbrella oversight, just to make sure that there was continuity, uniformity, and everybody was on the same page. It appears as though that this cyber security industry is coming in the same way.

So, what I'd like for you to do is, at some point, get back to the chairs in terms of, one, what you're talking about, is it about the Department of Banking, or is it about the commonwealth of Pennsylvania? Because if the banking department is in twenty-first and twenty-second century, then we need to make sure that all of our individual, and especially our business transactions, is protected. And the second part of it is not only whether the individual and financial transactions are protected, but what is our policy for reviewing our systems, to make sure that we don't let the other guy get in front. And so as soon as you go through some changes to get everything straightened out, then here comes somebody else that breached that.

So, without a continuing policy that provides for periodical oversight just to make sure that everything's okay, because it's a disaster when you wake up and learn that your financial transactions and your individual information has been compromised. So, I'd like for you to get back to our chairs on that, and would like to ask our chairs, my majority chair with the committee, my committee, and with the appropriation committee, maybe we need to put together some small group to put our heads together on how we can make sure where we need to be.

And so, I thank you for that long answer, look for that additional information, and tell us about credit unions.

SECRETARY MOYER: Yeah. Let me just comment on that. First of all, I did not know this, having spent most of my time before this in banking, in a commercial banking world, but Pennsylvania has the largest number of credit unions in the country.

REPRESENTATIVE THOMAS: Right.

SECRETARY MOYER: Over five hundred fifty, second -- kind of goes back and forth with Texas. So, we have a lot of credit unions, from some very large credit unions to a lot of very, very small, very targeted credit unions.

So, the work of the Pennsylvania Credit

Union Association is very widespread. And they do a lot of work to assist the credit union movement in our commonwealth.

The credit union encouragement as far as small business, minority business, minority development investment business has not been -- though charters have not been increasing in number, as you know, over the last several years. I will have a conversation, because I'm not sure I can give you a direct answer on the national basis, at the National Credit Union Association, which is the FDIC of the credit unions. I've got to see what their statistics are and whether or not they're doing anything to encourage formation of new credit unions in that area.

Right now, they are, like the banking community, still recovering from some of the credit quality meltdowns over the last five years, and, quite frankly, they are seeing the very smallest of the credit unions, in large part, look for partners to get a bit bigger to absorb some of the expenses. So, I can't give you a direct answer, but I will get back to you on that as to what's possible there.

REPRESENTATIVE THOMAS: And when you

get back to us, let us know how we can -- thankfully, credit unions, for the most part, will never become too big to fail, but we need to have some flexibility that allows them to partner around some of this activity in Pennsylvania.

And so, in my closing, let me ask you this. Your request for '14-'15 appropriations, is it enough to include the two areas that we talked about, cyber security and providing some flexibility to the credit unions?

SECRETARY MOYER: Clearly, the cyber security investment and our work around adequate staff and training there is included here.

On the credit union side, I -- I simply have to say, to some degree, you know, people need to come to us with a request for a charter. That's not something that the department, in effect, creates or goes out proactively. But having said that, we certainly are open to people that want to come forward, if there is a reason to form a new credit union, very similarly to where we were open this past year for the group that opened the first new commercial bank in the country in three years, in Lancaster County, called the Bank of Bird-in-Hand. And that was a group of organizers that got together, associated with some professionals, and put together a package, and we were fortunate enough that the FDIC concurred with our approval and issued the charter. And we have a new bank in the commonwealth, first in the commonwealth in five years, first in the country in three years.

So, that would be possible on the credit union side as well.

REPRESENTATIVE THOMAS: Thank you, Mr. Secretary.

Thank you, Chairs.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Petri.

REPRESENTATIVE PETRI: Thank you, Mr. Chairman. And I'm going to try to narrow my questions so that we can move through this.

I know from my own practice in law that a lot of banks have wanted to convert from federally mutually chartered to Pennsylvania chartered, and there are a lot of reasons. Some deal with inconsistencies in the federal regulator, at least in the eyes of the bankers. And I know you're from banking, so you probably heard some of that chatter. Some of it just deals with fees, candidly.

If I understand our system, when an audit is done, the bank is required to reimburse the state for the cost of that audit; is that correct?

SECRETARY MOYER: There is an assessment model that is equitably spread to all charters based on, in simplistic terms, their asset size. So, it's not a per examination invoice. It's like you pay a certain amount on a semiannual basis.

REPRESENTATIVE PETRI: And is that assessment reflected in the budget, or is that outside the budget?

SECRETARY MOYER: That is in the budget. If you look under the areas for the banking fund, that revenue is, in large part, almost exclusively coming from that -- or two-thirds of it is coming from the assessment model for the depository institutions.

REPRESENTATIVE PETRI: And when that money is appropriated, is it just restricted for that use, in other words, that line item?

SECRETARY MOYER: It is -- well, it's for the operations of what was the banking department, which is the depository institutions, the charter credit unions and banks, but also the nondepository side, where we licensed mortgage originators and that sort of thing. So, it's all used within that department.

REPRESENTATIVE PETRI: And have we ever had lapsed funds as a result of not needing that for audit purposes?

SECRETARY MOYER: We have had some lapsed funds, yes. Having said that, I think you also read in our report, and I think a fair number of you know that, that we are, right now, working closely with the Independent Regulatory Review Commission to reset that assessment model for all the depository institutions, because, literally, the balances in that banking fund, a special fund, and, quite frankly, we don't want to have to come to the general fund, the industry doesn't want to come to the general fund, and so we want to make sure it's strong and sustainable. That is going the wrong way.

With what we've proposed, we believe it is sustainable. We've proposed a three-year phase-in for the banks. And, quite frankly, even when it's phased in, it will still be 55 to 60 percent of what it costs to have a federal charter, so, therefore, good value at the commonwealth level.

REPRESENTATIVE PETRI: Okay. And that was where my -- I'm glad you jumped there. That's where my questions were going. So, you feel confident we have enough auditors on the ground to meet what appears to be a growing demand to become a Pennsylvania state charter bank.

SECRETARY MOYER: We hope so. We have -- we've lost to retirement, we've lost some experienced examiners to the federal side, the Consumer Financial Protection Bureau. They pay a lot more than the commonwealth does. But we're encouraged. Wendy Spicher, our deputy secretary for the depository institutions, I think today feels better about the new, young examiner core that we're bringing in and training to build for the future.

REPRESENTATIVE PETRI: Now, the next part of my questions -- and I'll be brief here -- when your auditors go out, is there some sort of priority that they're looking at? I know the federal system has this CAMEL, and as they look at all the CAMEL ratings, and they're all secret, secret, no tell anybody, hush. But one of the concerns that always came up with the federal system was, sometimes the examiner was focused on interest rate risk and didn't care about the quality of loans as much as, or some other -- somebody else would say, Hey, good quality loans, good earnings, who cares about interest rate risk.

What instructions do we give our auditors?

SECRETARY MOYER: Check everything. Literally, in the regulatory world, in the banking world, somebody explained to me way back that the regulator's job is to ensure that you have the longest possible runway to disaster. And so, anything they can do to build that runway longer and stronger is what a regulator has to do to protect depositors' money. And so, there will be times -- and you can imagine for the last five years, there's been a lot of focus on asset quality and liquidity.

But now that pendulum, as we're working through that, is shifting. And now we're going out into looking at things like federal compliance, things like interest rate risk. When you're in a period of low interest -- long-term interest rates like we are now, at some point they're going up.

Are the banks prepared? Are the credit unions prepared?

So, it's going to move back and forth. And I think the only thing that would concern me is, not the changes and the moves, but whether or not we have a bank or a credit union who is surprised by what we come in to want to talk to them about. We try not to get to being a surprise or "got you" business.

REPRESENTATIVE PETRI: Final question, jumping on the chairman's comments. The representative was focused on this phishing and, you know, security breaches, is that part of our audit system, where our auditors look at the platforms that our banks are subscribing to, whether it be -- I won't mention any names because I don't want to plug a company and not plug another company -- but those various vendors to make sure. Because they have multiple levels of security. And what I've seen occasionally is, the bank, unknown to the business customer, in particular, doesn't have the highest level of security for their account, and for a couple hundred bucks more, they could have gone to an encrypted password, and lo and behold, ninety thousand goes out the door in two days when somebody hits them through phishing and the like. So, are we looking at that?

SECRETARY MOYER: We are. We spent a lot of time looking at the bank secrecy act and the anti-money laundering. And, you know, that is something that every time we visit, if somebody says, Well, look, we fixed exactly what we talked about last time and then that's the end of the discussion, there's probably an issue, because this is an ever ratcheting, where you have to raise the bar on yourself and get more robust. And I think we are doing a pretty good job on that.

I think the federal compliance folks, because of their tie-in to the federal law enforcement, have even some better insight there, so when we work with the FDIC and the Federal Reserve, I think it's a pretty good team.

REPRESENTATIVE PETRI: Well, I tell you, it's refreshing to have somebody from the banking industry that understands both sides of it and is out there protecting the consumer.

Thank you.

SECRETARY MOYER: Thank you.

MAJORITY CHAIRMAN ADOLPH: Like to acknowledge the presence of Representative Tom

Killion, from Delaware and Chester Counties, who's joined us.

Next question is by Representative Dean.

REPRESENTATIVE DEAN: Thank you, Mr. Secretary.

I wanted to focus on just one area. I know part of your mission and responsibility is helping protect citizens in financial matters. And the area I'm concerned about that more than one constituent and/or family member and/or friend has brought to me is what I called mortgage modification hell, that they are in a mortgage at a rate that is unsustainable. They're not able to meet their payments. They seek help with their lender. Their lender asks for documents over and over again, is not communicating back.

In the one case, a good friend of mine applied for and got the help of something called Nationwide Law Center, a set of lawyers that took more than four thousand dollars from them, entered an appearance for them so the mortgage company stopped communicating with them altogether. The mortgage company thought they were just -- the owner of the home was just being silent and irresponsible, and they were paying money to this law firm that, you might guess, has disappeared. They had addresses in Pittsburgh and in California. They're nowhere to be found now. So, that's one problem.

But the other problem is the mortgage lender itself. What can we do, as a state, what can consumers do, what can advocates for these consumers do to get them to their mortgage modification?

SECRETARY MOYER: So, when I started in banking thirty-five years ago, a home mortgage was one of the simplest, straightforward products that you could make. Today, it is one of the most complicated that anyone will enter into. So, shame on the industry for going through that, but we are where we are.

The thing that we all have to stay focused on is not where the loan originated and who the mortgage lender was, but who currently holds the mortgage and services the mortgage. Because the mortgage modification issues are much later than getting the mortgage and settling it and, hopefully, servicing it, but if you fall on hard times or have a problem, who do you talk to.

Unfortunately, in the United States, the mortgage servicing business now has become highly concentrated in less than ten mega servicers. And so, most of the focus right now -- and if you think about the -- the settlement that occurred with the state's attorney general around the servicing. That was all focused on five mortgage servicers that literally accounted for 80-plus percent of where all the mortgage loans were serviced. I think, coming out of that settlement, we're in a better spot than we used to be, because one of the things that was required in that settlement was that each of the mortgage servicers have a single point of contact, so that somebody can't be talking to you about a way to modify your mortgage and, in the same company, somebody's working on foreclosing on your home at the same time. So, hopefully, we've gotten beyond that bridge through that settlement, and we're down to a single source.

But I will tell you, and Paul Wentzel is here, who takes care of a lot of our constituent matters, I think, for some of you over a lot of years and does a terrific job. He will tell you that of our inquiries, this is still the number one thing that we spend time on, trying to get to the national servicers and ask them to literally follow through in a way that consumers can understand. That is not going to change quickly. But, I want to think, with the work that was done coming out of this national mortgage servicers settlement a year and a half ago, and the requirements that were there, we are at a better spot today.

I want to make sure that people understand whether it's through a constituent matter that comes in to one of you or whether it's where they call the 1-800-PA-BANKS consumer complaint hot line in the department, please ask anybody you talk to -- I say it when I'm out talking to people, call us first before you engage somebody that may end up being very fee-oriented and not as interested in resolving it as, you know, you or the person you want to have. It is a tough situation. It is a feature of our secondary mortgage market. To some degree, we all benefit by that because of how large and efficient size of scale there is, but there is a downside and a soft underbelly to that that we're still working through.

If you have individual ones, we

certainly continue to offer to try and use our good contacts. That's not the right long-term answer, but that's about the best we can do right now.

REPRESENTATIVE DEAN: Just to follow up on that, and I appreciate that contact and I'll follow up with your staff, your office, because there's one case right now where the very thing you're talking about is going on. These people are in a dual track. They're in foreclosure and they're trying to modify, and the modification is going very, very slowly.

I had one consumer who tried modification, finally got it after three years, just recently got it. And this was with Wells Fargo. This is not a small lender.

So, you know, the family I'm literally thinking about right now is in foreclosure, watching their mail every day to see if there's a sale date yet, and they cannot get their mortgage modified.

SECRETARY MOYER: Please get us that information. Let us check.

REPRESENTATIVE DEAN: Thanks very much.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Millard.

REPRESENTATIVE MILLARD: Thank you, Mr. Chairman.

Mr. Secretary, thank you for being with us today.

My questions are going to be directed around the national flood insurance program. You know, all our communities across the commonwealth the past decade have experienced some terrific disasters. Come in different shapes and sizes and forms and names -- you know, Agnes, Eloise, Katrina, Rita, Sandy -- but the thing that they share in common is, in their wake, the damages that are done, the direct impact that it has on the community.

Most property owners are very prudent about protecting their properties and that they have fire insurance, flood insurance, liability. And what we've recently learned is, with regard to the flood insurance, is that, through the National Flood Insurance Program, where most homeowners had their policy, that those that have received renewal to their policies the past couple months and is projected through this fiscal year, that they're -- they've seen tremendous increases. Those increases range anywhere from 25 percent of an increase, in a few exceptions, to over a thousand percent increase in their policies.

There's a difference as to whether you have a mortgage on that property or whether you don't. If you have a mortgage, you're obligated to have, you know, insurance up to the value of the mortgage. Most of the homes, at least in my area, that are in the flood zone, predominantly, limited not just to this figure that I'm going to use as an example, but a lot of them, the value may be a hundred fifty thousand dollars. Some residents are being provided a bill for a flood insurance renewal that exceeds a thousand dollars a month.

So, you can see where I am going with this, that in a ten-year period of paying flood insurance, you're going to exceed the appraised value of your home.

So, a long way to get to the questioning, but my question is that, as you're aware, the ramifications of the Biggert-Waters Act of 2012 are starting come to fruition, where homeowners are receiving notices of these annual premium increases, and this is on federally subsidized flood insurance policies.

Can you talk about the department's

monitoring of this issue thus far and the impact that it will have on, not only the banks, but the mortgage companies?

SECRETARY MOYER: The changes in the National Flood Insurance Program probably are another good example of an unintended consequence dealing with a realistic problem. There is no doubt after Katrina and Sandy, that the National Flood Insurance Program is way underwater, way underwater. And so, I think, from a prudent business perspective, you start thinking in terms of, well, how can that -- how can that be rebuilt? How can we correct that?

Biggert-Waters was the attempt to do that, that, I think, in the confines of the beltway and the district made sense. What I think was not looked at was a couple of inconsistencies that hopefully will be looked at as we moved forward.

First of all, to think that the only place that flood insurance was required would be for those properties who have a mortgage against them. Common sense says, wait a minute. You know, that flood's not going to, in effect, take out a house and say, Well, that one's got a mortgage on but that one doesn't, and there's going to be claims come forward. So, there's got to be something, I think, that looks at whether or not there can be spreader language.

I also think there's going to have to be some work done around the issue of who -- which of these are primary residences and which ones are operating businesses, compared to secondary or vacation homes and that sort of thing, and be a little bit more sensitive in that regard.

As you know, this is totally a federal program, but it has lot of impact in a lot of states and commonwealths, and, certainly, Pennsylvania, that -- right now, we have just under thirty-five thousand policy holders that are affected by this. And so, whether or not the subsidy can continue in some way remains to be seen, but the first step is to do something that was supposed to be done anyway, and that was that FEMA, at the federal level, was supposed to do a study of this before Biggert-Waters was implemented. That was not done. There was not conversation. And the implementation occurred. And so, you started getting these increases that started a couple months ago and are going to roll over the next -- through the next year. So, it's real.

Now, I think, as most people are aware, the U.S. Senate has moved forward on a bill to, in effect, put this in abeyance until FEMA does what it was supposed to do anyway. And right now, it is in the House, and I don't know that we have a clear focus on how that's going to play out, but we know, from a constituent-inquiry standpoint, it is getting a lot of attention.

Our hope is that the House will also find a way to agree to put this on hold until FEMA does their work. And while that's going on, there will be some minds that come together to talk about what might be a practical way to phase from where we are to where we need to be. My hope is that, while there's nothing that Pennsylvania, as a commonwealth, can do individually other than speak up, and I think we should continue to do that, but the clock for us, on the regulatory standpoint, is, again, to use the Conference of State Bank Supervisors, for the fifty of us, to speak up and talk about it. We've got to break this mindset that somehow this only favors, you know, million-dollar properties on the coast. It's a very real issue for here in -- in our commonwealth.

REPRESENTATIVE MILLARD: And we're very much aware, here in the House of Representatives, of the efforts at the federal level to delay implementation of this over four years. As a matter of fact, I have a house resolution that will be offered the first day we're back in session to urge congress and the senate to do just that.

And you've answered pretty much of my second question, but you alluded to the fact that perhaps one of the ways to address the insolvency of this fund is taking into account those that are required by mortgages to have it, those that do not have a mortgage, whether it's a residential property, owner occupied, or whether it's a business. Are you suggesting that there could be variable rates to address it?

SECRETARY MOYER: I'm suggesting that that's part of the conversation that I want to be a part of, as we sit down, hopefully once we get through this and get FEMA doing their work, to start thinking about, what are the variables that we could work with here that would target any ongoing subsidy or relief to the most critical areas.

REPRESENTATIVE MILLARD: I appreciate

your efforts in regard to that, because that will also be of great help to the real estate market in every community.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Wheatley.

REPRESENTATIVE WHEATLEY: Thank you, Mr. Chairman.

And, Mr. Secretary, right here. How are you doing?

SECRETARY MOYER: Got some water.

REPRESENTATIVE WHEATLEY: I wanted to follow up on a line of questioning that I asked the previous secretary -- treasurer, actually, and that was around how do we support, include, and ensure the diverse populous of people participating in our economic decisions. And you, being the head of the banking institutions, financial institutions, across the commonwealth, tell me what your organization or department is doing to ensure that the banks who are doing business inside of our commonwealth are also doing business with minorities and women and veterans, that they're, at the best, investing or making sure there are opportunities to invest inside of their institution financially with minorities, women, and veterans.

SECRETARY MOYER: Let me talk about that, because it is a very important feature of access to the economic markets. Certainly, on the -- in the banking world, the Community Reinvestment Act has a structure that is out there, that is reviewed by the federal regulators. Anybody who has a state charter as a bank, as I said earlier, either have a co-visit with us, from the FDIC or the Federal Reserve. They look at how you're doing on your Community Reinvestment Act activities, and, certainly, that has matured over the last decade, and I think there are some processes there that people take seriously and move forward.

I'll go a step beyond that, and I want to talk just a bit about financial education, financial literacy, and investor education. It's interesting now that we have brought together the securities commission with what was the banking and credit union and the other licensed financial folks. In the banking and the credit union world, I have a fair degree of comfort that the banks and the credit unions are very focused on, and they see it as a value-added service, to work at financial education and financial literacy in their communities. And I think they've taken that very seriously, and I'm really happy about the progress that's there.

Interestingly, as you go into the securities world, where there are a lot more individual performers, individual sales and servicing type of individuals, they literally have not prioritized, on their own, providing as much investor protection and investor education as we think, in the department, is necessary. And so, Pennsylvania Securities Commission had, and we have not only continued but we've increased the role of an investor education group that literally goes out -- I know they've worked with some of you in here in your area. They're happy to go out, if you have something that they think they can be helpful with, because we feel a need to use some of the funding that they provide to us to turn around, then, and stay focused on investor education and investor protection.

So, if you ask what the department is doing most of right now, it's more in the area of investor education and protection rather than basic financial literacy, which literally seems to be being done a lot more than it used to be in both the credit union and the banking world.

REPRESENTATIVE WHEATLEY: And I appreciate that answer.

And I just have one final type of question, and maybe offline we can communicate some more about this. I know -- where I was going with my original question was to try to figure out if, in fact, there are any staff that is assigned to make sure that our financial agencies are not only doing what the CRA is directing them to do, but if Pennsylvania finds some credibility with making sure diverse groups and communities all share in a fair opportunity for economic advancement, then are we also making sure our partners understand that it's not just a statement but it's something that we are expecting them to actually show some real results in?

And I've been here twelve years, and I've been on this committee most of those years, and I've asked the same question over and over again, and no one has satisfactorily answered the question about changing coacher. And I'm talking about doing business with small business people, particularly minorities, women, and veterans, really making sure that, in our nontraditional senses, that they're having opportunities to invest money that's being housed in the coffers of our financial institutions, that these financial agencies that are taking money from our workers and citizens, that they are reinvesting it in the communities that they're serving, and not just from a federal sense, but do we have a state mandate, and are we allocating resources to make sure this is happening? So, that's really where I was heading with my question.

SECRETARY MOYER: I'd be happy to meet with you and talk a little further, but the direct answer is, no, there is not a direct state mandate. That is at the federal level, because it was pulled up there to get consistency across the states, and I get that. But I also think that our examination staff, our licensing staff, our client financial service folks that are going out and saying, Hey, beyond being a regulator, what else can we help you with as far as resources? That's active. We do have people committed to that. But not in a sense that there's a formal review, because I don't want to be -- I don't want to be redundant. You know, our people have enough regulation and that going on. If it's done at the federal level, we'll say to them, if we can help you, let us know, but we are not duplicating that in a formal sense.

REPRESENTATIVE WHEATLEY: Thank you.

Thank you, Mr. Chairman.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Oberlander.

REPRESENTATIVE OBERLANDER: Thank you, Chairman.

Secretary Moyer, thank you for being here this afternoon.

I'd like to go back to the subject of community banks. And over the past few years, they have really been overwhelmed with the amount of new regulations and rules from the federal government.

Recently, I had read that the Frank Dodd Act of 2010 had approximately a hundred seventy-five out of two hundred seventy-nine deadlines missed. And given that information, I'm sure that our banks are still spending money and gearing up for those regulations.

I also understand that the Community Lending Enhancement Regulatory Relief Act, as presented by a congressman from Missouri, is to -- the purpose is to give our community banks some relief. I speak with community banks often, and I can't tell you how -- I'm sure that you've heard this as well -- how difficult it is for them to lend money, and now it's almost a liability for them to lend money.

So, can you give us an idea of what the chances are that this CLEAR Act is actually making positive changes for them? And what time frame are we looking at?

SECRETARY MOYER: The Dodd-Frank Act clearly was a major federal legislative effort to, what I'll call, assess blame and say this could never happen again. I think any legislation that is created under that pressure, as the economy does recover, programs are going to have more unintended consequences than intended consequences.

I don't think anybody in the federal bureaucracy set out to impede community banks and the strength and growth of community banks, and, yet, exactly what you talked about is exactly what's happening. And so, when I go in and talk to a bank in the central part of the state, that's four hundred million dollars. And they say -- I say to them, How's you're pipeline? And they say, Well, pipeline's pretty good, but, you know, we're not sure what the regulators are going to say when they come in to look at the loans we made.

That cannot begin to be resolved until the Dodd-Frank rules are written. So, these missed deadlines have a double impact. Everybody thinks, oh, well, if we push it off, that's a good thing. Well, sometimes, you know, a slow "maybe" is worse than a definite "yes" or "no," and you deal with it.

We have been urging, at the state level, keep working through these remaining issues, because that's going to bring some clarity back, good or bad, and then the board are going to know how to move forward.

I do not expect that we're going to be through the Dodd-Frank regulations probably for another two years. Sad but true.

REPRESENTATIVE OBERLANDER: Well, that is sad. But thank you for your information and your answers.

Thank you, Mr. Chairman.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Parker.

REPRESENTATIVE PARKER: Thank you, Mr. Secretary.

Mr. Secretary, my grandmother used to call that, she would say, Don't give me a fast "no," I will take a slow "yes." That's how she used to describe it.

Let me just say welcome to you, and thank you for being here.

I want to go back and focus on the consumer services division of your department. I was looking at your briefing materials, and you note that you resolved about fifty-six hundred inquiries and complaints from Pennsylvania citizens. And now we heard some of the horror stories earlier about what's taking place with the proliferation of mortgage modification sort of involvement and participation that Pennsylvanians find themselves in now.

You'd be surprised -- I mean, you think politicians send bulk mail. You should see the bulk mail particularly that seniors are receiving, with these very enticing and colorful brochures, encouraging them to get involved not just with mortgage modification but the reverse mortgage industries.

If you will, can you discuss with us, tell us the approximate number, if you can, about inquiries you receive regarding reverse mortgages versus the mortgage modification complaints or concerns?

SECRETARY MOYER: I don't have the specific numbers, but I will tell you this, that the mortgage modifications are still, at this point, getting a lot more attention than the reverse mortgages, but let's talk about reverse mortgages just for a minute.

And I would encourage folks who have not asked us -- I know we have sent some of these out to folks -- but a simple brochure here talking about and educating people about the pros and cons of reverse mortgages. This product -- and I said this last year when I was in here -- probably concerns me more as far as elder financial management than anything else.

The good news is, since I was in here last year, that there has actually been some restructuring to, in effect, make it more difficult for people who choose to take a reverse mortgage, for them to take all of the money out up front, and so they've slowed down that process. And what they're trying to say to people is, Look, this product is not for everybody, despite the famous faces that we all see on TV, unfortunately, advertising that, boy, this seems to be a product good for anybody that's over sixty-two. I think the use of this product should be very targeted.

If people think it is a cure for an immediate financial issue, as opposed to being part of a planned retirement strategy, where you can use it as you need it, I think you're on shaky ground. It's got to be looked at as something longer term. And I would urge anyone that wants to talk further about that to please feel free to talk to us. We're happy to do that.

REPRESENTATIVE PARKER: Well, Mr. Secretary, can you please make sure -- this is my first time actually seeing the brochure. If you can, maybe we can just check with respective legislative offices. You know, we have upcoming town hall meetings and many outreach activities that would be great to have that on display and/or to bother the staff about coming out into the neighborhood to talk about those. So, we'll call you and bug you about that a little later.

The next thing I wanted to ask you

about was, you provide a program overview of the financial services industry regulation. And prior to being elected, I worked in the city council of Philadelphia, and I was there and helped to work on developing what was then considered to be one of the toughest antipredatory lending pieces of legislation in the nation. It was eventually preempted by the state. But the major issue that actually, really, I think, was partly to blame for the collapse of our financial industry came because we thought that the industry could police itself and/or, you know, that the balloon payments, the high interest rates and the high fee that, you know, many across the nation felt we were protected because we had HEMAP and the outstanding work of PHFA, so Pennsylvania didn't fall as low as other states.

Tell me now, how are we doing as it relates to those regulations? Are we coming across any instances where we see, we -- you know, we may have missed regulating a particular portion of the industry that we didn't pay much attention to before. How are we faring in that area?

SECRETARY MOYER: So, two quick comments. First of all, and you mention

Pennsylvania Housing Finance Authority. As you know, one of the privileges by virtue of this position is to work with Brian Hudson and serve as chairman of that board. That is a terrific organization.

It -- when I am out with my counterparts, they say, you know, the only question is, who's the best, Massachusetts or Pennsylvania? And that's a good spot for us to be in.

HEMAP is refunded through this attorney general, a service -- national servicers. We are back in business and helping out wherever we can.

On the issue of where the mortgage market is going, the transferring of setting the guidelines for mortgages you know, whether it's qualified mortgages or QRM or all that type of thing, is now under a new agency called the Consumer Financial Protection Bureau, created under Dodd-Frank. They've come out with, admittedly, simpler guidelines for people to follow in some of the forms they use and things like that.

The problem is that because they have tightened up -- you know, unfortunately, the pendulum, if it's too far out here, never comes back to center; it goes out here. And so, it's still coming back from out there. And I think, unfortunately, at this point, the banks have actually, instead of providing more mortgage financing, which was the hope if you simplified it, it's actually going the other way.

When we ask about timing, I'm convinced over the next twelve to eighteen months that pendulum is going to keep coming back, a little bit out of economic necessity, because the housing market is going to need that support. But that is still a feature of where we are sitting here in February of 2014.

And the CFPB is aware of it. I think they do not want to slow down the home mortgage market, but, in fact, they've got to work through some of this rule making that's out there.

REPRESENTATIVE PARKER: Well, thank you, Mr. Secretary, for your explanations. We'll make sure that we follow up and in regards to those brochures, so that all members, on both sides of the aisle, take advantage of that information and promote it.

And I'm happy that you noted for the record that some of the people from the marketing perspective that we've seen and trusted on television for so many years in great shows that we loved, are being paid to market these products. And I have some grandparents and some great aunts and uncles who they would say, Oh, God, that's Steve McQueen. I have to believe what Steve McQueen has to say.

So, the fact that we need to read is of grave importance, and I appreciate you noting that for the record.

What generation is Steve McQueen from?

MAJORITY CHAIRMAN ADOLPH: Okay. From Steve McQueen to Representative Boback.

REPRESENTATIVE BOBACK: Representative Parker, he was in the fifties.

REPRESENTATIVE PARKER: Thank you, madam.

REPRESENTATIVE BOBACK: Thank you, Mr. Chair.

Mr. Secretary, I have been hearing discussion about potential creation of county banks. Do we have any county banks in the commonwealth at this time? And if we do or don't, what would be your take on a county establishing its own bank?

SECRETARY MOYER: There are discussions

around county banks. There is discussion around a commonwealth bank. My point is, we have two hundred banks that are chartered here, from the very large to the very small. PNC at the top, to the Bank of Bird-in-Hand in Lancaster County. We are blessed. My counterpart in Maryland has, like, thirty banks.

We should absolutely leverage those banks in any way that we can. And so, from a need for other charter bank organizations in some sort of a public arena, I do not see and have not heard a convincing amount of reason to do that.

There are, on a targeted basis at the municipality level -- I want to make sure we're not confusing it -- legislation out there now that can create land banks at the county or municipality level, that help with blight in the residential areas. I think those are worthy of further discussion, but I don't think that's what you're talking about when you're talking about a county or a commonwealth bank. There are people that want to set those up to compete with the current banking environment. I don't see the need for that.

REPRESENTATIVE BOBACK: And in this economy, I don't know if that would be a win or a --

SECRETARY MOYER: I don't know how they would be capitalized, you know, because you can't open your door for business without FDIC insurance, and so, you need to come up with hard, cold capital.

REPRESENTATIVE BOBACK: Thank you.

One more thing, Mr. Secretary. You gave a 1-800 number earlier. Would you please repeat that?

SECRETARY MOYER: 1-800-PA-BANKS.

REPRESENTATIVE BOBACK: Thank you.

Thank you, Mr. Chairman.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Brendan Boyle.

REPRESENTATIVE BOYLE: Thank you, Mr. Secretary. And thank you for the great work that your department does and your public service.

Comments you made, I think, in an answer to two questions ago actually provided a perfect segue for the area that I was going to talk about. The last five years have obviously been an unprecedented time in the financial sector and in this industry. We went from a period about a decade ago of one extreme on the pendulum of no income, no assets, no dock loans, sometimes nicknamed liar loans, to now this other extreme where, in light of the great collapse, understandably, folks at both the federal and state level have wanted to ensure that that never happens again and some of the bad practices are eliminated.

However, in doing that, I can't tell you how many regular constituents I've talked to where folks who have W-2s, who have pay stubs, who are not under water, and they can't refinance to take advantage of the historically low interest rates, or they can't even qualify for a mortgage because this pendulum you referenced earlier has swung from one extreme to the other.

I'm talking about as specifically as it relates to the residential mortgage area, but I think my comment you could make more broadly than that. So, I hear about this when talking to constituents. I hear about this when talking to -- we're fortunate in the Philadelphia area to have a number of quality community banks that have been around for many years, over a century in a couple of cases. I know that our small-, medium-sized banks are also very concerned, particularly as the rules now might be changing and getting even more restrictive.

So, I was wondering if you could talk about this subject and what your thoughts are and how it may affect us over the next twelve months.

SECRETARY MOYER: First of all, I'll say this very briefly. Anybody that is in the situation you described, I would urge them to call one of the PHFA credit counselors and just have a conversation. Just have a conversation. Because I think that's where we can get a lot of information up on the table to figure out whether or not there's something that, professionally, they are hearing that might be part of the roadblock, compared to the consumer who's not in this business on a day-to-day basis. So, please take advantage of that. Call the 1-800-PA-BANKS. We can contact and get you hooked up or get your constituent hooked up with someone.

The issue right now, and think about it, we're in a low rate environment. So, if somebody goes out to buy a house or to refinance, we all want a low, thirty-year fixed rate loan. Wonderful. Problem is, nobody is lending a bank or a credit union thirty-year CDs. So, we have this inevitable mismatch of funding short and lending long.

We are an extreme of that right now, simply because of where the rate environment is. I do believe, as the Federal Reserve begins to taper, I think that's going to continue. And my guess is, in twelve months from now, fifteen to eighteen max, we'll have the yield curve back in a more normal -- more normal look. And longer term rates will be higher, short-term rates may still be low to stimulate operating capital and lend on the commercial side.

But, during that time, I think people are still going to have to ask for help as to how they navigate the system that has been set up. Because, remember, the banks are learning the system as well. It's just a complete change. It's a revert back -- I know, I probably got more gray hair than most anybody else in this room, but, you know, back when people used to have to put 20 percent down to buy a house now sounds outrageous. But, if you look at the structure of what the new loan structure has been rewritten at, guess what the base is, an 80 percent mortgage.

So, no easy answer. But, please, ask

your folks to just ask for professional help. And they don't have to go to somebody that's absolutely fee oriented right out of the box. There are people that can give them some, you know, free consultations.

REPRESENTATIVE BOYLE: I appreciate that. And, unfortunately, it's more than one constituent, and I know a number of these things are out of your hands.

I can tell you, just to wrap up, that I'm one individual consumer who -- I'm thirty-seven now. I bought my first home 5 percent down, never missed a payment, ended up then having a track record of being a mortgage payer and a homeowner, and, in an effort -- and I know this is more at the federal level -- but in an effort to tighten things up and move to that 20 percent requirement, the law of unintended consequences, I think, will be quite severe.

Thank you.

SECRETARY MOYER: Thank you.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Everett.

REPRESENTATIVE EVERETT: Thank you, Mr. Chairman, and, Mr. Secretary, for being with us today.

I'd like to pick up back on the Biggert-Waters Act, if we could, a little bit. I think you said that there are thirty-five thousand insured properties in Pennsylvania with flood insurance. And my concern is, it's my understanding that there's five to six times as many properties in Pennsylvania that are uninsured and are in the flood area, and they and the insured ones, as far as I can understand, given the current situation, are never going to be able to be sold again.

I think that -- you know, I totally agree with what you said about discriminating between residential properties and commercial properties and seasonal properties, second homes, whatever you'd like to call them, but I also think that we need to make a -- discern between properties that are often flooded and properties that are not often flooded.

I know of examples in the borough that I live in where we've had properties that are, by flood elevation, by the FIRM maps, that they are considered to be in the floodplain, but they may be flooded back in Agnes in '72 and have had no flood damage since then. They've moved their hot water heaters, their furnaces, their electrical panels and everything up to the second floor, but they still -- but they're still in the floodplain and there's nothing that elevation can do. These are -- some of these homes were built in the 1800s. They're beautiful brick homes that have been there along the river, you know, for a very, very long time.

And I fear that we have -- we have whole sections of communities that are just going to go off the books, and I don't think that there's an understanding of what that's going to do to other properties. And we are a lot in Pennsylvania. We have three major watersheds, Susquehanna being the largest watershed. And I'm just very concerned about the ripple effect of this, as -- you know, as you alluded to. And I'm just very concerned, and, you know, to -- if you can continue to be an advocate for us at the national level.

But what we're being asked, you know -- and it is a federal program. It has been a federal program since 1968, I understand. But what we're being asked in the areas where this is a big problem -- and I have another borough in the district that I represent where 65 percent of the properties are in the floodplain. And -- I mean, that whole community could go away. And it's a borough of more than three thousand people right now. And I can see the whole borough going under in the next ten years if we continue on the path we're on.

So, the question that I'm being asked by my constituents -- and I know that other representatives are -- is, you know, if the federal government doesn't step up to this and doesn't do something about it, is there anything that we could do at the state level to -- I know it's -- traditionally, it's been a federal program, but is there something that we could do at the state level if the federal government fails to step up to this problem?

SECRETARY MOYER: I have been asked that question, as this has kind of come to light over the quarter a couple of times. I don't have an answer for that, because if the federal government cannot address it -- and I believe they can, if they're willing to make some hard decisions -- if they don't or if they're not willing to do that, then I think states like Pennsylvania really are going to have to make some tough decisions that have, what I'll call, social and political and economic impacts that are going to be hard for people to deal with.

You know, when it comes down to -- when you go into an insurance program, you have a specific coverage for a specific event. This may be one of those that eventually gets to the point where you can't apply that principle. That if, society-wise, if at the commonwealth level there's a judgment made that we need to protect those, then, literally, we're talking about an undertaking in the event of a -- of a problem, either on a mass scale or an isolated basis, that we would step in and generally take care of people and rebuild.

Those are decisions that are going to be deep and long and difficult. And I'm hoping that we can work through the federal side to raise the best suggestions on a way to move this forward in a way that keeps it on a more federal level and not a state or commonwealth level.

REPRESENTATIVE EVERETT: Thank you, Mr. Secretary. And I hope that happens, too. And I think there are things that can be done, other than the Biggert-Waters Act, to address this issue.

And I just have one thing that I hear and I've not been able to pin it down, is that the NFIP program was doing pretty well before maybe Katrina and Sandy, and that a lot of money was spent taking care of people who did not have flood insurance, and that has exacerbated this problem. And that if that had not been done and if the program was run the way it was supposed to, that it still would be solvent and this crisis would not be addressed.

Is there any -- to your knowledge, is there any factual basis to that or not?

SECRETARY MOYER: I have not heard that in any way that I'm convinced is fact based. But having said that, when you start with a premise that, well, if you had to borrow money to buy or build the property, you need it, but the person next door to you that didn't need to borrow money doesn't, I think you're on slippery ground as far as how do you spread risk. And I think that may be part of the decision that we're going to talk about as, you know, this thing comes forward.

REPRESENTATIVE EVERETT: Thank you,

Mr. Secretary.

And I'll just point out that, you know, Pennsylvania, a long time ago we had the Johnstown flood. There was no FEMA. You know, there was no NFIP. We took care of it here in Pennsylvania. And I think that we will have to make hard decisions, but I think if the feds don't step up to it, I think the commonwealth of Pennsylvania can. And I think, if that happens, we'll be looking to you for your expertise and guidance.

Thank you, sir.

MAJORITY CHAIRMAN ADOLPH: Thank you, Representative.

I understand that Representative Parker has a quick thirty-second statement, because we have the attorney general. We're running about twenty-five minutes late right now.

REPRESENTATIVE PARKER: Thank you, Mr. Chair, for your courtesy.

Mr. Secretary, let me just state that your response to Representative Boyle's question regarding those individuals who sort of found themselves in a unique niche, if you could possibly put together a brochure similar to what you showcased for us earlier today about people who fall into that category would be great.

I really wanted just thirty seconds, Mr. Chair, because I received three text messages right after my Steve McQueen comment, and I needed to clear it up for the record for those people in my district office. I have some seniors who volunteer for me.

And let me just note, I mentioned Steve McQueen because when my grandparents were alive, they considered him to have great credibility. And the actors who are being paid handsomely to promote the reverse mortgage products there today are not as credible as Steve McQueen. So, I have to clear that up, so that I could go back home to my district office, Mr. Chair. So, thank you very much.

MAJORITY CHAIRMAN ADOLPH: Thank you. That was a good escape for that.

Mr. Secretary, thank you so much for being here with us and looking forward to working with you, okay, between now and June 30th.

SECRETARY MOYER: Thanks for your time.

MAJORITY CHAIRMAN ADOLPH: We're going to take a five-minute break and reconvene at approximately 2:30, when the attorney general is here.

(Whereupon, the hearing concluded at 2:25 p.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that I was present upon the hearing of the above-entitled matter and there reported stenographically the proceedings had and the testimony produced; and I further certify that the foregoing is a true and correct transcript of my said stenographic notes.

____
BRENDA J. PARDUN, RPR
Court Reporter
Notary Public