United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 109th CONGRESS, SECOND SESSION

Vol. 152 WASHINGTON, TUESDAY, JUNE 27, 2006 *No. 85*

House of Representatives

The House met at 9 a.m. and was called to order by the Speaker pro tempore (Mrs. WILSON of New Mexico).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
June 27, 2006.

I hereby appoint the Honorable HEATHER WILSON to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

MORNING HOUR DEBATES

The SPEAKER pro tempore. Pursuant to the order of the House of January 31, 2006, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 25 minutes, and each Member, except the majority leader, the minority leader, or the minority whip, limited to not to exceed 5 minutes, but in no event shall debate extend beyond 9:50 a.m.

The Chair recognizes the gentleman from Texas (Mr. HINOJOSA) for 5 minutes.

IN DEFERENCE TO DR. BEN BERNANKE, CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE, AND MR. RICHARD W. FISHER, CEO AND PRESIDENT OF THE FEDERAL RESERVE BANK OF DALLAS

Mr. HINOJOSA. Madam Speaker, recently, I held my Fifth Regional Leaders Issues Conference in the Jefferson Building of the Library of Congress. Over 140 of my constituents attended the conference, including elected officials, presidents of universities, educators, heads of chambers of commerce, and many other community leaders in the 15th District of Texas.

On Tuesday, June 13, 2006, I was honored to have Dr. Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve, give remarks to the conferees. He referenced data from the Survey of Consumers Finances, which is a triennial survey sponsored by the Federal Reserve Board.

The latest survey revealed some discouraging and alarming statistics: Households whose income placed them in the bottom fifth of the population were less likely than the average respondent to maintain a checking or savings account, and almost 25 percent of those families were unbanked compared to less than 10 percent of families in the other income levels.

According to the survey, reasons given for not having an account varied. Some respondents said they would not write enough checks to make having an account worthwhile; others were dissuaded by minimum balance requirements, or said that they did not have enough money to justify opening a bank account.

Chairman Bernanke noted that, in some cases, consumers lacked the knowledge about the services that banks offer, including deposit insurance, or even misunderstood the important role banks play in our economy. Chairman Bernanke went on to say that some of the general approaches to helping families of modest means build wealth and improve their economic well-being include community economic development, financial literacy, and other programs that encourage saving and investment.

As the cofounder and cochair of the Financial Economic Literacy Caucus, I was pleased by all the information he provided my constituents, and I am pleased with the efforts the Federal Reserve is undertaking to improve financial literacy rates across the United States. I want to take this opportunity to express my sincere appreciation for Chairman Bernanke taking time out of his very busy schedule to speak to my constituents.

It is my hope that the media will focus more attention on what the chairman and the Financial and Economic Literacy Caucus members have to say with regard to financial education and literacy, instead of focusing solely on Chairman Bernanke's comments on the direction of interest rates. I find it odd that the media and some legislators have yet to realize that there is a correlation between the country's poor financial literacy rates and the actions the Federal Reserve has to take from time to time.

Madam Speaker, I include for the RECORD the remarks Chairman Bernanke gave before my Fifth Regional Leaders Issues Conference.

REMARKS BY CHAIRMAN BEN S. BERNANKE, FEDERAL RESERVE BOARD, AT THE FIFTH REGIONAL ISSUES CONFERENCE OF THE FIFTEENTH CONGRESSIONAL DISTRICT OF TEXAS

INCREASING ECONOMIC OPPORTUNITY: CHALLENGES AND STRATEGIES

WASHINGTON, June 13, 2006.—I am pleased to be here to discuss some strategies for helping families, particularly lower-income families, improve their economic and financial well-being. Families today face a financial marketplace that is increasingly complex, with numerous products and service providers from which to choose. Today I will touch on several approaches for helping people of modest means take advantage of these financial opportunities while managing the risks and avoiding possible pitfalls.

TODAY'S FINANCIAL MARKETPLACE

Technological advances have dramatically transformed the provision of financial products and services in recent years. To cite just one example, the expanded use of computerized credit-scoring models, by reducing the costs of making loans and by increasing

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.
Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

the range of assets that lenders can sell on the secondary market, has made possible the extension of credit to a larger group of borrowers. Indeed, we have seen an increasingly wide array of products being offered to consumers across a range of incomes, leading to what has been called the democratization of credit. Likewise, technological innovation has enhanced financial services, such as banking services, and increased the variety of financial products available to savers.

The range of providers in consumer financial markets has also increased, with the number of nonbank entities offering credit and other financial services having risen particularly quickly. For example, a recent study of alternative providers of financial services found the number of nonbank check-cashing establishments doubled in the United States between 1996 and 2001. Payday lending outlets, a source of credit that was almost non-existent a decade ago, now number more than 10,000. And data from the Survey of Consumers Finances, a triennial survey sponsored by the Federal Reserve Board, indicate that the share of households with a loan from a finance company increased from 13 percent in 1992 to 25 percent in 2004.

FINANCIAL CHALLENGES OF LOWER-INCOME FAMILIES

Despite the increased complexity of financial products and the wider availability of credit in many forms, U.S. households overall have been managing their personal finances well. On average, debt burdens appear to be at manageable levels, and delinquency rates on consumer loans and home mortgages have been low. Measured relative to disposable income, household net worth is at a fairly high level, although still below the peak reached earlier this decade.

Families with low to moderate incomes, however, face special financial challenges. These families generally have less of a cushion to absorb unanticipated expenses or to deal with adverse circumstances, such as the loss of employment or a serious health problem. Results from the Survey of Consumer Finances show that the median net worth for households in the lowest income quintile—those whose income placed them in the bottom fifth of the population—was only $7,500 in 2004, well below the median for all survey respondents of $93,000. The Survey data also indicate that households in the lowest quintile were significantly less likely than the average respondent to maintain a checking or savings account; almost 25 percent of those families were ''unbanked,'' compared to less than 10 percent of families in the other income quintiles. The reasons given for not having an account varied: Some respondents said they would not write enough checks to make having an account worthwhile, but others were dissuaded by minimum balance requirements or said that they did not have enough money to justify opening an account. In some cases, a lack of knowledge about the services that banks offer or even a distrust of banks is likely a factor.

The Survey also found that lower-income households are less able than others to manage their debts. A greater fraction of these households had debt-to-income ratios of 40 percent or more or had a payment past due at least sixty days. The data also reveal that only 40 percent of families in the lowest quintile own a home, compared with a homeownership rate of 69 percent among all families surveyed. Finally, the data on retirement account ownership show an even larger gap, with only 10 percent of lowest-quintile families holding a retirement account, whereas 50 percent of all families responding to the survey reported participation in some type of retirement savings plan.

How can these disparities be addressed? Some general approaches to helping families of modest means build assets and improve their economic well-being include community economic development, financial education, and programs that encourage saving and investment. In the remainder of my remarks, I will discuss each of these approaches briefly and offer some insights into their effectiveness based on research and experience.

COMMUNITY ECONOMIC DEVELOPMENT

In my time with the Federal Reserve, I have had a number of opportunities to meet with community economic development leaders—representatives of groups working to assist lower-income families become homeowners, start small businesses, better manage their finances, and save for the future. In fact, my first trip as a Federal Reserve Board member was to Brownsville, Texas, where I saw how a grassroots nonprofit organization is helping to build communities and to provide residents with the chance to build wealth through homeownership. The Community Development Corporation (CDC) of Brownsville works with multiple funding partners—governments at all levels, financial institutions, foundations, and corporations—to construct housing and to design innovative loan products that enable low-income families to qualify for mortgage credit. For example, because of the mix of funding sources, mortgage loans can be offered with features such as down-payment assistance or a below-market interest rate. The CDC of Brownsville also offers a program that allows prospective homeowners to acquire ''sweat equity'' in a property by working on construction teams to help build their own new home and those of other participating families.

As in the case of many community development organizations, the Brownsville CDC has also made financial education a critical element of its efforts to help lower-income residents improve their financial status. For example, participation in financial counseling or in an education program is typically required for a borrower to obtain a loan through the CDC or through one of its lending partners. However, the broader aim of these programs is to improve borrowers' prospects for longer-term success in maintaining their credit and handling their overall finances. Since 1994, through this combination of leveraged financing arrangements and borrower education, the CDC of Brownsville has helped make homeownership possible for more than 2,500 low-income families. I cite the Brownsville example because of the opportunity that I had to learn about their work (and I recently had a similar opportunity to see some impressive community development efforts in the Anacostia neighborhood of the District of Columbia). But this localized approach to community development and wealth-building is playing out in neighborhoods throughout the country, in most cases through strategies tailored to the distinct needs of the particular community.

FINANCIAL EDUCATION AND FINANCIAL LITERACY

Financial education has not only been integral to community development but has also begun to play a larger role in the broader consumer market. Clearly, to choose wisely from the wide variety of financial products and providers available, consumers must have at least basic financial knowledge. People who understand the financial aspects of purchasing a home or starting a business, or who appreciate the importance of saving for children's education or retirement, will almost certainly be economically better off than those without that vital information. Financial literacy can be acquired through many channels: in school, on the job, through community programs and counseling, or through self-education and experience.

Studies generally find that people receiving financial education or counseling have better financial outcomes. For example, research that analyzed data on nearly 40,000 mortgage loans targeted to lower-income borrowers found that families that received individual financial counseling were less likely later to become delinquent on their mortgage payments. Similarly, another study found that borrowers who sought and received assistance from a credit counseling agency improved their credit management, in particular, by reducing the number of credit accounts on which they carried positive balances, cutting overall debt, and reducing delinquency rates. More broadly, the research shows that financial knowledge is correlated with good financial outcomes; for example, individuals familiar with basic financial concepts and products have been found to be more likely to balance their checkbook every month, budget for savings, and hold investment accounts.

Studies that establish an association between financial knowledge and good financial outcomes are encouraging, but they do not necessarily prove that financial training and counseling are the causes of the better outcomes. It could be, for example, that counseling is associated with better financial outcomes because the consumers who choose to seek counseling are the ones who are already better informed or more motivated to make good financial decisions. In medicine and other fields, researchers gain a better understanding of what causes what by doing controlled studies, in which some subjects are randomly assigned a particular treatment while others do not receive it. To translate this idea to the analysis of the effects of financial counseling, the Federal Reserve Board's Division of Consumer and Community Affairs is collaborating with the Department of Defense to conduct a three-year study of the effects of financial education. This study will evaluate the impact of various educational programs on the financial decisions of soldiers and their families. It includes a treatment group of those receiving financial education, with the programs each family receives and when they receive it being determined randomly, and a control group of similar soldiers and their families who have not received this formal financial education. Because assignments of individuals to programs will be random, any observed changes in behavior can be more reliably attributed to the type and amount of counseling received. Among other things, the results of this study should help us better understand whether financial education leads to changes in behavior for participants in general or only for those at critical teaching moments, such as the period before making a major financial decision such as choosing a mortgage.

I would like to say just a few words about the Federal Reserve's broader role in promoting consumers' understanding of financial products and services. Beyond conducting surveys of consumers and doing research, we work in a number of ways to support consumers in their financial decision-making. For example, through our consumer protection rule-writing authority, the Federal Reserve sets requirements that specify the information that must be disclosed to consumers about the terms and fees associated with credit and deposit accounts. These disclosures provide consumers with the essential information they need to assess the costs and benefits of financial services and compare products among different providers. We are currently reviewing many of our disclosures and plan to use focus groups and other methods to try to make these disclosures as clear and as user-friendly as possible.

The Federal Reserve System also works to promote financial education and financial literacy through various outreach and educational activities. We provide a great deal of substantive financial information, including interactive tools for economic education, on our education website www.federalreserveeducation.org. The website links to a wide variety of financial education resources at the local, regional, and national levels.

Additionally, the Federal Reserved Board collaborates with educational and community development organizations to support their efforts. Our national partners include the Jump$tart Coalition for Personal Financial Literacy, the Conference of Mayors' DollarWi$e Campaign, Operation HOPE, the American Savings Education Council, and America Saves, among others. At the regional level, the 12 Federal Reserve Banks work with organizations to support financial education and financial literacy. For example, the Federal Reserve Bank of Cleveland has worked with community financial educators to form regional networks that combine resources and share best practices. The Federal Reserve Bank of Chicago sponsors ''MoneySmart Week,'' partnering with banks, businesses, government agencies, schools, community organizations, and libraries to host activities designed to help consumers learn how to manage money. The Federal Reserve Banks of San Francisco and Minneapolis have worked with leaders in the Native American community to develop financial education materials. My recent testimony to Congress on financial literacy provided information on many other projects and programs. The Federal Reserve will continue to make financial education a priority.

STRATEGIES TO ENCOURAGE SAVING

Even if people know that they would be better off if they saved more or budgeted more wisely, we all know from personal experience that translating good intentions into action can be difficult. (Think about how hard it is to keep New Year's resolutions.) The field of behavioral economics, which studies economic and financial decisions from a psychological perspective, has cast new light on consumer behavior and led to recommendations about how to improve people's financial management. For example, studies of individual choices in 401(k) savings plans strongly suggest that workers do not pay adequate attention to their saving and investment decisions. Notably, despite the tax advantages of 401(k) contributions and, in some cases, a generous employer match, one-quarter of workers eligible for 401(k) plans do not participate. Studies have found, however, that if firms change the presentation of the plan from an ''opt-in'' choice to an ''opt-out'' choice, in which workers are automatically enrolled unless they actively choose to remain out of the plan, participation rates increase substantially. The impact of changing from ''opt-in'' to ''opt-out'' is particularly evident for younger and lower-income workers, who may have less financial expertise.

In addition, participants in savings plans evidently do not understand the various investment options that are offered. A survey by the investment management firm, The Vanguard Group, found that many plan participants cannot assess the risk inherent in different types of financial assets; for example, many did not appreciate that a diversified equity mutual fund is generally less risky than keeping most of one's wealth in the form of the employer's stock. Indeed, employees appear to invest heavily in their company's stock despite the fact that their income is already tied to the fortunes of their employer. More than one-quarter of 401(k) balances are held in company stock, and this high share arises not only from an employer match but from voluntary purchases as well.

These insights into consumer behavior have prompted some changes in the design of retirement plans and in education programs focused on saving for retirement. More employers now feature automatic enrollment in their 401(k) plans in an effort to boost participation. Also, some have set the default investment option to a diversified portfolio that is rebalanced automatically as the worker ages or have set contribution rates to rise automatically over time in line with salary increases.

However, although these changes in program design may boost saving and improve investment choices, they are not a substitute for continued financial education. Employers, including the Federal Reserve Board, offer financial education at the workplace to help their workers gain a better understanding of retirement savings options. Helping people appreciate the importance of saving and giving them the tools they need to translate that knowledge into action remain major challenges.

CONCLUSION

Let me close by observing that many factors influence consumer financial behavior. Financial education is clearly central to helping consumers make better decisions for themselves and their families, but policymakers, regulators, nonprofit organizations, and financial service providers must all help ensure that consumers have the tools and the information they need to make better decisions. Success can only come through collaborative efforts. I see much interest today in increased collaboration toward these objectives, both in Washington and around the country.

Thank you for the opportunity to speak with you today. I encourage you to continue working together to help provide increased economic opportunity in your communities, and I wish you the best of luck in your efforts.

Mr. HINOJOSA. I also want to take this opportunity to thank Richard W. Fisher, CEO and president of the Federal Reserve Bank of Dallas, for hosting me recently at the Federal Reserve Bank of Dallas. Richard W. Fisher assumed the office of president and CEO of the Federal Reserve Bank of Dallas on April 4, 2005. President Fisher serves as a member of the Federal Open Market Committee, the Federal Reserve's principal monetary policymaking group.

During my visit, President Fisher provided me with valuable economic information on the 15th District of Congress, as well as insight into the Dallas Bank's efforts to improve financial literacy. I want to commend President Fisher and the Federal Reserve Bank of Dallas for publishing an excellent brochure entitled, Building Wealth, a Beginner's Guide to Securing Your Financial Future, which is an introduction for individuals and families seeking to develop a plan for building personal wealth. It contains four sections: Learn the language; budget to save; save and invest; and take control of debt. The publication is available in both English and Spanish, and is available in print and it is available as an interactive version on the Dallas Fed's Web site. I encourage you to look it up.

The Dallas Fed is an active partner in several asset-building initiatives throughout its district, including the Texas Asset Building Coalition which promotes personal financial education, affordable homeownership opportunities, individual development accounts/matched savings programs, the earned income tax credit, and antipredatory lending measures.

Again, I want to thank Chairman Bernanke for speaking at my Regional Leaders Issues Conference and President Fisher for hosting me at the Federal Reserve Bank of Dallas.

Mr. HINOJOSA. Madam Speaker, recently, I held my Fifth Regional Leaders Issues Conference in the Jefferson Building of the Library of Congress. Over 140 of my constituents attended the conference, including: elected officials, presidents of universities, educators, heads of Chambers of Commerce and other community leaders in the 15th district of Texas. On Tuesday, June 13, 2006, I was honored to have Dr. Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve, give remarks to the conferees. He referenced data from the Survey of Consumers Finances, which is a triennial survey sponsored by the Federal Reserve Board. The latest survey revealed some discouraging and alarming statistics: households whose income placed them in the bottom fifth of the population were less likely than the average respondent to maintain a checking or savings account; almost 25 percent of those families were "unbanked," compared to less than 10 percent of families in the other income levels. According to the survey, reasons given for not having an account varied: Some respondents said they would not write enough checks to make having an account worthwhile, but others were dissuaded by minimum balance requirements or said that they did not have enough money to justify opening an account. Chairman Bernanke stated that, in some cases, a lack of knowledge about the services that banks offer including deposit insurance or even a misunderstanding of the important role banks play in our economy.

Chairman Bernanke went on to say that some of the general approaches to helping families of modest means build wealth and improve their economic well-being include community economic development, financial literacy, and other programs that encourage saving and investment. As co-founder and co-chair of the Financial and Economic Literacy Caucus, I was pleased by all the information he provided my constituents, and I am pleased with the efforts the Federal Reserve is undertaking to improve financial literacy rates across the United States. I want to take this opportunity to express my sincere appreciation for Chairman Bernanke taking time out of his very busy schedule to speak to my constituents. It is my hope that the media will focus more attention on what the Chairman and the Financial and Economic Literacy Caucus have to say with regard to financial education and literacy, instead of focusing solely on Chairman Bernanke's comments on the direction of interest rates. I find it odd that the media and some legislators have yet to realize that there is a correlation between the country's poor financial literacy rates and the actions the Federal Reserve has to take from time to time.

Madam Speaker, at this point, I ask unanimous consent to enter into the record the remarks Chairman Bernanke gave before my Fifth Regional Leaders Issues Conference.

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During my visit, President Fisher provided me with valuable economic information on the 15th district of Congress as well as insight into the Dallas Bank's efforts to improve financial literacy. I want to commend President Fisher and the Federal Reserve Bank of Dallas for publishing an excellent brochure entitled Building Wealth: A Beginner's Guide to Securing Your Financial Future, which is an introduction for individuals and families seeking to develop a plan for building personal wealth. It contains four sections: learn the language, budget to save, save and invest and take control of debt. The publication is available in both English and Spanish and is available in print and as an interactive version on the Dallas Fed's Web site. The Dallas Fed is an active partner in several asset-building initiatives throughout its district, including the Texas Asset Building Coalition, which promotes personal financial education, affordable homeownership opportunities, Individual Development Accounts/matched-savings programs, the Earned Income Tax Credit, and anti-predatory lending measures.

Again, I want to thank Chairman Bernanke for speaking at my Regional Leaders Issues Conference and President Fisher for hosting me at the Federal Reserve Bank of Dallas.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess until 10 a.m. today.

Accordingly (at 9 o'clock and 8 minutes a.m.), the House stood in recess until 10 a.m.

□ 1000

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mrs. MILLER of Michigan) at 10 a.m.

PRAYER

The Chaplain, the Reverend Daniel P. Coughlin, offered the following prayer:

''When I call; answer me, O God of justice, from anguish you release me; have mercy and hear me!''

Lord, at times our prayers, especially those said publicly, are bold sounding, almost like a military order summoning the ranks to take shape, a call to precision and movement.

At other times, our prayer is more like a whimper, muffled in the heart, struggling to find the right words, the cry of the most dependent in our midst.

Whenever or however we call out to you, O Lord, as individuals or as a Nation, hear us.

For we are in need of Your justice and Your mercy, both now and forever.

Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House her approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Ohio (Mr. KUCINICH) come forward and lead the House in the Pledge of Allegiance.

Mr. KUCINICH led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

IRAN'S GASOLINE IMPORTS

(Mr. KIRK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KIRK. Madam Speaker, 3 years ago, a Congressman, ROB ANDREWS, and I founded the Iran Working Group to explore all peaceful options with regard to the nuclear crisis.

Last June, we proposed a unique option, an international quarantine on the sale of gasoline to Iran. Despite its status as an OPEC oil producer, Iran depends on over 40 percent of its gasoline supply from abroad, and because the mullahs failed to modernize Iran's refineries, she has run short.

Iran's government knows of this critical weakness. They have reviewed the congressional resolution and calls for restricting gas sales to Iran.

To prepare their people, the Iranian government decided this week to cut in half their gasoline subsidy for foreign supplies, effectively eliminating almost 200,000 barrels a day from their national supply. This will trigger gasoline rationing in Tehran and will begin to tighten the squeeze on the government.

It shows that this is a very powerful lever to use in the peaceful resolution of this crisis and one that Iran's leaders already know would be effective.

TIME TO REAWAKEN IN OUR PEOPLE THE COURAGE OF THE FOUNDERS

(Mr. KUCINICH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KUCINICH. Madam Speaker, a reading from the book of James, Madison that is.

The fourth amendment to the Constitution of the United States: The right of the people to be secure in their persons, houses, papers and effects against unreasonable searches and seizures shall not be violated.

That amendment was passed in 1791. In 2006, the administration is getting the banking records of millions of Americans without a warrant. The government wants to know who you write checks to, who writes checks to you. They want to flag those transactions and investigate without a warrant legal, private conduct. Under the PATRIOT Act, they can monitor wire transfers, ATM and credit card transactions.

This year, as we celebrate the 230th anniversary of our Declaration of Independence, we find 150,000 troops in Iraq so the people there can have the very rights we are losing at home.

It is time to reawaken in our people the courage of the Founders, the spirit that founded a free Nation so that we can remain a free Nation. That struggle is not in Iraq. It is here in America.

REID-KENNEDY BILL IS NOT THE ANSWER

(Ms. FOXX asked and was given permission to address the House for 1 minute.)

Ms. FOXX. Madam Speaker, House Republicans are committed to passing strong immigration reform legislation. Last December, we passed a bill that would, among other things, strengthen border security, crack down on those who knowingly hire illegal workers, empower local law enforcement to enforce our immigration laws, and allow for the swift deportation of illegal aliens. This is something that has to be done for our national security, and we cannot compromise on this.

I cannot for the life of me understand why Democrats are pushing to pass the Reid-Kennedy bill, which is a huge pat on the back for those who are breaking our laws. This bill would reward bad behavior by guaranteeing Social Security benefits for illegal aliens and enabling them to collect welfare benefits