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Ms. WATERS. Madam Speaker, I will insert in the RECORD a letter in support of H.R. 5503 sent to Members of the House by five housing and real estate associations.

Madam Speaker, in closing, and before I yield back my time, I would just like to say I do not know if I will have the opportunity to be on the floor with many of my colleagues from our committee before the close of the session.

But I first want to say how appreciative I am to the chairman of our committee, Mr. OXLEY, for the leadership that he has provided, for his sense of fairness, and for his sense of what it takes to get both sides of the aisle working together. He has done a magnificent and tremendous job.

Madam Speaker, I also want to thank someone who is not here. It is unfortunate, because I have worked closely with Mr. NEY, and he has done a wonderful job in helping to move these housing bills to the point that we see them today.

I would like to thank all of the other members of the committee just in case we do not have an opportunity to be on the floor again on any more of those bills.

JULY 25, 2006.

DEAR REPRESENTATIVE: On behalf of the membership of our associations who represent the home buying, home building, and home financing industries, we are writing in support of H.R. 5503, FHA Multifamily Loan Limit Adjustment Act of 2006, legislation to increase the Federal Housing Administration (FHA) multifamily loan limits in high-cost areas. Over the past several years, Congress and the Administration have taken steps to update the FHA multifamily loan limits. However, despite these efforts, the current maximum FHA multifamily mortgage limits are inadequate and continue to constrain new construction and rehabilitation in many urban and suburban areas, where construction costs are significantly higher than in the rest of the country.

The FHA's multifamily mortgage insurance programs enable qualified borrowers to obtain long-term, fixed-rate financing for a variety of multifamily properties that are affordable to low- and moderate-income families. This public/private partnership has resulted in a successful program providing housing for a portion of the population not usually served by private industry alone. In addition to serving a valuable purpose, recent analysis by HUD and OMB indicate that virtually all of the FHA multifamily insurance programs operate on a break-even basis or raise revenue for the government.

Without higher FHA multifamily loan limits in high-cost markets, critical housing needs will go unmet. Those who will be most affected will include low- and moderate-income families, including important community service providers such as teachers, firefighters, and police officers. By increasing the maximum loan limit for FHA's multifamily programs, these programs can help provide the housing opportunities necessary for the economic and social well being of our nation. We applaud efforts to increase the availability of affordable housing in our nation's high-cost areas.

Institute of Real Estate Management.  
Mortgage Bankers Association.  
National Association of Home Builders.  
National Association of Mortgage Brokers.

National Association of Realtors.

Madam Speaker, I yield back the balance of my time.

Mr. GARY G. MILLER of California. Madam Speaker, I yield myself the balance of our time.

Madam Speaker, I want to once again thank my good friend, BARNEY FRANK. He worked with me in introducing this legislation. We worked it through the system. It is before us today.

I would also like to thank a very good chairman of the Financial Services Committee, MIKE OXLEY. He had a vision when he took over the committee. He worked diligently to accomplish that vision. I wish him the best in his retirement. I know we are going to miss him next year when the committee starts again.

Ms. LEE. Madam Speaker, I rise in strong support of H.R. 5503, the FHA Multifamily Loan Limit Adjustment Act of 2006.

This bipartisan bill will allow the FHA program to keep up with the skyrocketing boom in housing prices—particularly in areas like my district in California, where the average price of a home is nearly \$600,000.

The FHA program has provided homeownership opportunities to millions of Americans who have been deemed high-risk or struggled to save down payment costs.

Many residents in high-cost states like California are unable to tap into FHA's homeownership programs.

In 2005, FHA only insured 5,000 loans in California because housing cost were too high for the FHA's low loan limit.

Madam Speaker, there are hundreds, if not thousands, of eligible renters who want to be homeowners. We must work with HUD to ensure that they are not locked out of the housing market.

I applaud Congressman MILLER, Congresswoman WATERS, Ranking Member FRANK and all the members who have worked together to make this bill and the dream of homeownership a reality.

I ask my colleagues to support H.R. 5503. Mr. GARY G. MILLER of California. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. GARY G. MILLER) that the House suspend the rules and pass the bill, H.R. 5503.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### HEDGE FUND STUDY ACT

Mr. GARRETT of New Jersey. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 6079) to require the President's Working Group on Financial Markets to conduct a study on the hedge fund industry, as amended.

The Clerk read as follows:

H.R. 6079

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Hedge Fund Study Act".

#### SEC. 2. STUDY AND REPORT ON HEDGE FUND INDUSTRY.

(a) STUDY.—The President's Working Group on Financial Markets shall conduct a study of the hedge fund industry. The study shall include an analysis of—

- (1) the changing nature of hedge funds and what characteristics define a hedge fund;
- (2) the growth of hedge funds within financial markets;
- (3) the growth of pension funds investing in hedge funds;
- (4) whether hedge fund investors are able to protect themselves adequately from the risk associated with their investments;
- (5) whether hedge fund leverage is effectively constrained;
- (6) the potential risks hedge fund pose to financial markets or to investors;
- (7) various international approaches to the regulation of hedge funds; and
- (8) the benefits of the hedge fund industry to the economy and the markets.

(b) REPORT AND RECOMMENDATIONS.—Not later than 180 days after the date of enactment of this Act, the President's Working Group on Financial Markets shall submit a report on its findings to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate. The report shall include recommendations, including—

- (1) any proposed legislation relating to appropriate disclosure requirements for hedge funds;
- (2) the type of information hedge funds should disclose to regulators and to the public;
- (3) any efforts the hedge fund industry or regulators of financial institutions should undertake to improve practices or provide examples of successful industry initiatives; and
- (4) any oversight responsibilities that members of the President's Working Group should have over the hedge fund industry, and the degree and scope of such oversight.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from New Jersey (Mr. GARRETT) and the gentleman from Massachusetts (Mr. FRANK) each will control 20 minutes.

The Chair recognizes the gentleman from New Jersey.

#### GENERAL LEAVE

Mr. GARRETT of New Jersey. Madam Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks on this legislation and to insert extraneous material thereon.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. GARRETT of New Jersey. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, before I begin, I would first like to wish my friend and colleague and the chief sponsor of this legislation, Congressman MIKE CASTLE, a very speedy recovery. Our thoughts and prayers are with him and his family, and we hope to see him back here on the floor soon.

I also, Madam Speaker, wish to take this time to thank both Chairman

OXLEY and Chairman BAKER for their support of this study and the ongoing efforts to address the evolving hedge fund industry.

Madam Speaker, I come to the floor tonight to support H.R. 6079, the Hedge Fund Study Act, introduced by my colleague, MIKE CASTLE. This legislation will better enable this House to examine the role of hedge funds in our economy through a thoughtful study and report by the President's Working Group on Financial Markets, the PWG.

The hedge fund industry represents a vital sector of the American economy, as evidenced by its market growth and capital development. Hedge funds are now a \$1.2 trillion industry; and they can be a high-risk, high-stake investment. While they are usually targeted to wealthy investors, hedge funds are increasingly tied to pension plans and, consequently, to the financial earnings of millions of middle-class Americans. For that reason, I think it is necessary that we further explore hedge funds and the potential impact and benefits that they offer to the financial markets and investors as well.

Specifically, H.R. 6079 will help Congress learn more about this vibrant industry. The study will examine hedge fund growth and the potential risks as well as the benefits of the hedge fund industry to the economy and the markets.

The hedge fund industry has such a significant impact on the markets and was last reviewed by the PWG study on this topic way back in 1999. But the growth of the hedge fund industry over the past 7 years makes this legislation timely. I would call your attention to the improvements of the hedge fund industry risk management function, improvements that were recommended in that study in 1999.

Counterparties and financial institutions have taken affirmative steps over the past 6 years now to mitigate exposures to risk through innovative financial products and the allocation of greater resources toward a dedicated risk management role.

Additionally, the hedge fund industry has in the past demonstrated its willingness on its own to resolve market challenges. For example, through a self-imposed obligation, derivative market participants, including hedge funds, directed their efforts toward eliminating a credit derivatives paperwork backlog that in past years was caused by explosive growth within those markets. The industry has now successfully reported that it has made substantial progress in increasing operational efficiencies and operational risks.

Again, at this time, I support this legislation; and I also should point out that I would like to thank Congressman CHRIS SHAYS from Connecticut for his expertise in this area, as many of the hedge funds that we speak of here tonight are near in his district. I compliment the Congressman and his efforts to getting this bill through this House.

Madam Speaker, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, I am in substantial agreement with my colleague from New Jersey, but, first, and most of all, in expressing our best wishes to our colleague, the gentleman from Delaware, who has been such a constructive Member and whom we hope to see back with us very soon.

Secondly, I think the gentleman has accurately portrayed the situation. About a month or so ago, the Circuit Court of Appeals ruled that the SEC had twisted a statute further out of shape than is permissible to get some jurisdiction over hedge funds.

I think the Circuit Court made the correct legal interpretation. The SEC had been reaching, and I think the decision was a correct one. I then, however, filed a bill to change the statute, not because I or I think anyone else is able to be sure right now exactly what we should do about hedge funds, but because I would agree with the gentleman from New Jersey, this is an important, relatively new phenomenon. It has a major impact in our economy.

At the rate at which they are growing, it may be we will reach the point in which there is more money in hedge funds than there is money; and that at least ought to call up some attention. I simply did not think we should adjourn for the year with some people thinking that we have now decided that the appropriate action is nothing at all. That may in the end be a decision, but I do not think it is one that we have yet had a chance to look at.

So there were various ways that we were looking at this. I had a bill, the gentleman from Louisiana, the chairman of the subcommittee, had a bill. The gentleman from Delaware, a very thoughtful Member, suggested this as an approach. It has the advantage, I think of saying, look, we believe there is something that has to be looked at.

The gentleman from New Jersey correctly mentioned one of the things that has a number of people particularly concerned, which is the increasing interface between hedge funds and pension funds. That is something that we want to look at. So I think that we have an appropriate vehicle today, legislatively, to say this is something we want to look at. We will come back next year and deal with it further. I think this is the appropriate way to do it.

Madam Speaker, I yield back the balance of my time.

Mr. GARRETT of New Jersey. Madam Speaker, I would just point out with regard to that court case, an interesting thing with regard to that court case was the fact that the court, in part, reached a decision as it did because it said, I am not quoting it, but, in essence, that they could not define exactly what a hedge fund was.

So perhaps with the benefit of this study that we can be able to rein that in and to address that issue as well.

Mr. FRANK of Massachusetts. Madam Speaker, will the gentleman yield?

Mr. GARRETT of New Jersey. I yield to the gentleman from Massachusetts.

Mr. FRANK of New Jersey. Madam Speaker, I would say yes to the gentleman, that this is a case when we could all agree, apparently, that a little judicial activism was a good thing.

Mr. GARRETT of New Jersey. Madam Speaker, reclaiming my time. I would like to make one final point on this. I mentioned during my earlier remarks the improvements that the industry has made on its own in this year.

And I should also point out, I think Mr. CASTLE would appreciate the fact, that the Managed Funds Association, which is the funds of the association of the hedge funds, in essence, are in support of this legislation as well. They have indicated the hedge funds are currently subject to numerous regulations already relating to advertising and broad reporting requirements, ERISA and other securities. But they do as well see the benefit to look at both sides of the equation from a balanced approach, both the risk and the potential difficulties as well.

So I just wanted to add that to the Record as well.

Mr. SHAYS. Mr. Speaker, I rise in support of the Hedge Fund Study Act and appreciate the work of our colleague, MIKE CASTLE, to craft this legislation and bring it to the floor.

Mr. Speaker, the hedge fund industry plays a critical and special role in our capital markets and is enormously important to helping institutional investors diversify their investment portfolios and meet their future funding needs.

While the numbers fluctuate some, there are believed to be close to 8,000 hedge funds that manage approximately \$1 trillion in assets. Connecticut's Fourth Congressional District, which I'm grateful to represent, is home to several hundred of the most successful hedge funds.

Over the past few years, the industry has received increasing attention from the media, Congress and the Securities and Exchange Commission (SEC). I happen to believe that strong oversight of our financial markets is critical to our Nation's economic well-being. While hedge funds, which have knowledgeable and sophisticated investors, do not require the same level of scrutiny as is paid to the mutual fund industry, it seems to me more transparency and better government and regulator understanding of the industry will ultimately benefit investors and managers alike.

In my judgment, this act is a sensible approach to the issues raised by the growth and importance of hedge funds to the capital markets. We should require the Presidential Working Group on Financial Markets to study and make recommendations in a final report regarding efforts of both the industry and its regulators to improve practices.

Again, I appreciate this legislation coming to the House floor and urge its passage.

Mr. GARRETT of New Jersey. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. GARRETT) that the House suspend the rules and pass the bill, H.R. 6079, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF MOTIONS TO SUSPEND THE RULES

Mr. BISHOP of Utah (during consideration of H.R. 6079), from the Committee on Rules, submitted a privileged report (Rept. No. 109-690) on the resolution (H. Res. 1045) providing for consideration of motions to suspend the rules, which was referred to the House Calendar and ordered to be printed.

#### REPORT ON RESOLUTION WAIVING REQUIREMENT OF CLAUSE 6(a) OF RULE XIII WITH RESPECT TO CONSIDERATION OF CERTAIN RESOLUTIONS

Mr. BISHOP of Utah (during consideration of H.R. 6079), from the Committee on Rules, submitted a privileged report (Rept. No. 109-691) on the resolution (H. Res. 1046) waiving a requirement of clause 6(a) of rule XIII with respect to consideration of certain resolutions reported from the Committee on Rules, which was referred to the House Calendar and ordered to be printed.

#### REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 4772, PRIVATE PROPERTY RIGHTS IMPLEMENTATION ACT OF 2006

Mr. BISHOP of Utah (during consideration of H.R. 6079), from the Committee on Rules, submitted a privileged report (Rept. No. 109-692) on the resolution (H. Res. 1047) providing for consideration of the bill (H.R. 4772) providing for consideration of the bill (H.R. 4772) to simplify and expedite access to the Federal courts for injured parties whose rights and privileges under the United States Constitution have been deprived by final actions of Federal agencies or other government officials or entities acting under color of State law, and for other purposes, which was referred to the House Calendar and ordered to be printed.

#### FINANCIAL NETTING IMPROVEMENTS ACT OF 2006

Mr. MCHENRY. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 5585) to improve the netting process for financial contracts, and for other purposes, as amended.

The Clerk read as follows:

H.R. 5585

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Financial Netting Improvements Act of 2006".

#### SEC. 2. TREATMENT OF CERTAIN AGREEMENTS BY CONSERVATORS OR RECEIVERS OF DEPOSITORY INSTITUTIONS.

(a) DEFINITION OF SECURITIES CONTRACT.—

(1) FDIC-INSURED DEPOSITORY INSTITUTIONS.—Section 11(e)(8)(D)(ii) of the Federal Deposit Insurance Act (12 U.S.C. 1821(e)(8)(D)(ii)) is amended—

(A) in subclause (I)—

(i) by striking "mortgage loan, or" and inserting "mortgage loan."; and

(ii) by inserting before the semicolon "(whether or not such repurchase or reverse repurchase transaction is a 'repurchase agreement', as defined in clause (v))";

(B) in subclause (IV)—

(i) by inserting "(including by novation)" after "the guarantee"; and

(ii) by inserting before the semicolon "(whether or not such settlement is in connection with any agreement or transaction referred to in subclauses (I) through (XII) (other than subclause (II))";

(C) in subclause (IX), by striking "or (VIII)" each place such term appears and inserting "(VIII), (IX), or (X)";

(D) by redesignating subclauses (VI), (VII), (VIII), (IX), and (X) as subclauses (VIII), (IX), (X), (XI), and (XII), respectively; and

(E) by inserting after subclause (V) the following new subparagraphs:

"(VI) means any extension of credit for the clearance or settlement of securities transactions;

"(VII) means any loan transaction coupled with a securities collar transaction, any prepaid securities forward transaction, or any total return swap transaction coupled with a securities sale transaction;"

(2) INSURED CREDIT UNIONS.—Section 207(c)(8)(D)(ii) of the Federal Credit Union Act (12 U.S.C. 1787(c)(8)(D)(ii)) is amended—

(A) in subclause (I)—

(i) by striking "mortgage loan, or" and inserting "mortgage loan."; and

(ii) by inserting before the semicolon "(whether or not such repurchase or reverse repurchase transaction is a 'repurchase agreement', as defined in clause (v))";

(B) in subclause (IV)—

(i) by inserting "(including by novation)" after "the guarantee"; and

(ii) by inserting before the semicolon "(whether or not such settlement is in connection with any agreement or transaction referred to in subclauses (I) through (XII) (other than subclause (II))";

(C) in subclause (IX), by striking "or (VIII)" each place such term appears and inserting "(VIII), (IX), or (X)";

(D) by redesignating subclauses (VI), (VII), (VIII), (IX), and (X) as subclauses (VIII), (IX), (X), (XI), and (XII), respectively; and

(E) by inserting after subclause (V) the following new subparagraphs:

"(VI) means any extension of credit for the clearance or settlement of securities transactions;

"(VII) means any loan transaction coupled with a securities collar transaction, any prepaid securities forward transaction, or any total return swap transaction coupled with a securities sale transaction;"

(b) DEFINITION OF FORWARD CONTRACT.—

(1) FDIC-INSURED DEPOSITORY INSTITUTIONS.—Section 11(e)(8)(D)(iv)(I) of the Federal Deposit Insurance Act (12 U.S.C. 1821(e)(8)(D)(iv)(I)) is amended by striking "transaction, reverse repurchase trans-

action" and inserting "or reverse repurchase transaction (whether or not such repurchase or reverse repurchase transaction is a 'repurchase agreement', as defined in clause (v))".

(2) INSURED CREDIT UNIONS.—Section 207(c)(8)(D)(iv)(I) of the Federal Credit Union Act (12 U.S.C. 1787(c)(8)(D)(iv)(I)) is amended by striking "transaction, reverse repurchase transaction" and inserting "or reverse repurchase transaction (whether or not such repurchase or reverse repurchase transaction is a 'repurchase agreement', as defined in clause (v))".

(c) DEFINITION OF SWAP AGREEMENT.—

(1) FDIC-INSURED DEPOSITORY INSTITUTIONS.—Section 11(e)(8)(D)(vi) of the Federal Deposit Insurance Act (12 U.S.C. 1821(e)(8)(D)(vi)) is amended—

(A) in subclause (I)—

(i) by striking "or precious metals" and inserting "precious metals, or other commodity"; and

(ii) by striking "or a weather swap, weather derivative, or weather option" and inserting "weather swap, option, future, or forward agreement; an emissions swap, option, future, or forward agreement; or an inflation swap, option, future, or forward agreement";

(B) in subclause (II)—

(i) by inserting "or other derivatives" after "dealings in the swap"; and

(ii) by striking "future, or option" and inserting "future, option, or spot transaction"; and

(C) by striking "the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Investor Protection Act of 1970, the Commodity Exchange Act, the Gramm-Leach-Bliley Act, and the Legal Certainty for Bank Products Act of 2000" and inserting "the Gramm-Leach-Bliley Act, the Legal Certainty for Bank Products Act of 2000, the securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934) and the Commodity Exchange Act".

(2) INSURED CREDIT UNIONS.—Section 207(c)(8)(D)(vi) of the Federal Credit Union Act (12 U.S.C. 1787(c)(8)(D)(vi)) is amended—

(A) in subclause (I)—

(i) by striking "or precious metals" and inserting "precious metals, or other commodity"; and

(ii) by striking "or a weather swap, weather derivative, or weather option" and inserting "weather swap, option, future, or forward agreement; an emissions swap, option, future, or forward agreement; or an inflation swap, option, future, or forward agreement";

(B) in subclause (II)—

(i) by inserting "or other derivatives" after "dealings in the swap"; and

(ii) by striking "future, or option" and inserting "future, option, or spot transaction"; and

(C) by striking "the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Investor Protection Act of 1970, the Commodity Exchange Act, the Gramm-Leach-Bliley Act, and the Legal Certainty for Bank Products Act of 2000" and inserting "the Gramm-Leach-Bliley Act, the Legal Certainty for Bank Products Act of 2000, the securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934) and the Commodity Exchange Act".

#### SEC. 3. CLARIFYING AMENDMENTS RELATING TO DEFINITION OF PERSON.

(a) FDIC-INSURED DEPOSITORY INSTITUTIONS DEFINITION OF PERSON.—Section 11(e)(8)(D) of the Federal Deposit Insurance