

**Senate Committee on Banking, Housing, and Urban Affairs Hearing on
“The Semiannual Monetary Policy Report to the Congress”
Wednesday, July 22, 2009**

Statement for the Record of Senator Jack Reed:

Today’s hearing provides an important opportunity to hear from Chairman Bernanke on the overall health of the economy, labor market conditions, and the housing sector. These semi-annual hearings are a critical part of ensuring appropriate oversight of the Federal Reserve’s integral role to restore stability in our economy and protect families in Rhode Island and across the country.

I continue to work with my colleagues on this Committee to address three key aspects of recovering from the financial crisis. First, we must stabilize and revive the housing markets. With estimates of more than a million foreclosures this year alone, we must recognize this as a national emergency no different than when banks are on the verge of failing. One in eight mortgages is in default or foreclosure. These are more than statistics. They represent individuals and families uprooted, finances destroyed, and communities in turmoil. We need to keep pushing servicers to expand their capacity and hold them accountable for their performance. And we need to make the process more transparent for homeowners.

Second, we need to create jobs, which the American Recovery and Reinvestment Act is already doing throughout the U.S. Although there have been some positive signs in the economic outlook, the unemployment rate in Rhode Island and nationally has continued to climb steeply. In the five months since you addressed the Committee in February, the national unemployment rate has risen from 8.1% to 9.5%, and in Rhode Island it has surged from 10.5% to 12.4%--the second highest in the country. I will soon introduce legislation to encourage more states to use work share programs, similar to our program in Rhode Island, which provide businesses with the flexibility to reduce hours instead of cutting jobs.

Third, we need to stabilize and revitalize the financial markets. We’ve made significant progress in this area, but we need to continue to monitor these institutions to ensure they remain well-capitalized and are able to withstand market conditions much better than they did in the recent past. And we need to be smart about the Federal Reserve lending programs to get our credit and capital markets once again operating efficiently and effectively. This is especially true for small businesses, our job creators, which are the key to our nation’s economic recovery.

Finally, complimenting all of these is a need for comprehensive reform of the financial regulatory system. We face several major challenges in this area, including addressing systemic risk, consolidating a complex and fragmented system of regulators, and increasing transparency and accountability in traditionally unregulated markets. It is important to recognize that our economic problems have been years in the making. It will not be easy to get our economy back on the right track. But in working with President Obama we can begin to turn the tide by enacting policies that create jobs and restore confidence in our economy.