

FINANCIAL MARKETS AND COMMUNITY INVESTMENT

Financial Markets and Community Investment (FMCI) supports Congress in two areas critical to the nation's economic and social well-being. First, we help ensure that U.S. financial markets function smoothly and effectively and identify ways to stem fraud and abuse that can endanger the financial capacity of businesses, households, and individuals. Our work in this area examines the way financial institutions and markets are regulated in an increasingly global environment. We also assist Congress in responding to crises that threaten financial markets, such as the accounting scandals at Enron and other large firms. Second, FMCI helps promote sound, sustainable investment in America's communities by assessing the effectiveness of federal initiatives and funding aimed at small businesses, state and local governments, and community-based organizations. Our work supplies performance evaluations and information that assists Congress in targeting funds to provide an adequate supply of low- and moderate-income housing, encourage home ownership, and expand economic opportunities for small businesses and disadvantaged communities.

Our Work

We help Congress improve the effectiveness of regulatory oversight in financial and housing markets and the management of community development programs. We focus on determining whether regulators such as the Securities and Exchange Commission and other agencies are achieving sustainable outcomes that serve market participants, benefit recipients, and the federal government (whether as regulator, sponsor, guarantor, or grantor). Additional work with agencies such as the Federal Reserve, Small Business Administration (SBA), and Housing and Urban Development (HUD) examines the effectiveness of specific programs and administrative functions. A key theme of our work is balancing safety and soundness with the need to make capital available to individuals, businesses, and communities.

To help ensure financial stability and promote viable communities, we

- assess the ability of the financial services industry and its regulators to maintain a stable, well-functioning financial system by analyzing issues such as growing market competition, policies ensuring access to financial services, and regulators' ability to respond to innovations in financial products and technology;
- assess federal assistance in areas such as economic development and housing access and its impact on households and communities; and
- evaluate the effectiveness of federal initiatives to assist small and minority-owned businesses by assessing SBA and other programs.

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Accomplishments and Key Projects

Our recent accomplishments include

- identifying key changes needed to restore confidence in U.S. financial markets and determining the effect on stock market prices of accounting irregularities at Enron and other major corporations;
- facilitating the issuance of anti-money laundering regulations and terrorism insurance legislation in the wake of the September 11 attacks;
- working with Congress to reduce the government's contingent liability for credit unions by \$17 billion;
- ensuring that all troubled public housing authorities receive the highest level of HUD monitoring;
- helping to reduce the cost of federal housing assistance by encouraging the extension of HUD's "mark to market" program, which reduces rents to market rates and preserves the affordability of low-income rental housing;
- providing information to Congress that resulted in the elimination of a duplicative program, saving the government almost \$400 million; and
- improving public disclosure and transparency at two stock exchanges and the Office of the Comptroller of the Currency.

Our current work includes

- identifying measures to assess the effectiveness of federal economic development assistance;
- benchmarking the structure and performance of the financial services industry;
- assessing the oversight and safety and soundness of the Federal Home Loan Bank System, Farmer Mac, and the National Credit Union System;
- examining the performance and accountability of SBA, the Commerce Department, and HUD;
- evaluating ways to mitigate the effects of terrorist attacks on the security of the U.S. financial system; and
- working with Congress to improve oversight of the HOPE VI housing initiative.