

**Congressman Jim Jordan (R-OH), RSC Chairman**  
**Congressman Randy Neugebauer (R-TX), FSWG Chairman**  
**WEEKLY UPDATE: November 28, 2012**

**In This Newsletter: House Financial Service Subcommittee on Oversight and Investigations Issues a Report that Lack of Communication Between Regulators Led to MF Global Bankruptcy & Federal Housing Report Reveals that the Federal Housing Administration (FHA) is Billions of Dollars in the Red**

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### **House Financial Service Subcommittee on Oversight and Investigations Issues a Report that Lack of Communication Between Regulators Led to MF Global Bankruptcy**

The House Financial Services Subcommittee on Oversight and Investigations, chaired by Rep. Randy Neugebauer, released the full results of its year-long majority staff investigation into the collapse of MF Global on Thursday.

The report chronicles the demise of the 230-year old commodities brokerage firm, which declared bankruptcy in October 2011. MF Global's failure was the eighth largest bankruptcy in U.S. history and resulted in a \$1.6 billion shortfall in customer funds.

The Subcommittee undertook this investigation for three reasons: first, MF Global's customers deserve to know how and why their funds went missing; second, market participants deserve to know whether regulatory lapses have been identified and corrected; and third, taxpayers deserve to know that regulators have been held accountable so that similar losses may be prevented from occurring in the future.

The Subcommittee staff's investigation of MF Global involved three hearings, more than 50 witness interviews, and the review of more than 243,000 documents obtained from MF Global, its former employees, federal regulators and other sources. The report's findings and recommendations are based on information gathered by the Subcommittee during the course of its investigation and can be found at found along with the entire report [here](http://financialservices.house.gov/news/documentsingle.aspx?DocumentID=312314) or online at <http://financialservices.house.gov/news/documentsingle.aspx?DocumentID=312314>.

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### **Federal Housing Report Reveals that the Federal Housing Administration (FHA) is Billions of Dollars in the Red**

On November 16, 2012, the U.S. Department of Housing and Urban Development issued their [annual report](#) to congress on the financial status of the FHA Mutual Mortgage Insurance Fund. According to a HUD Press release, "the independent study found that as the housing market continues to recover, the capital reserve ratio of the MMI Fund used to support FHA's single family mortgage and reverse mortgage insurance programs fell below zero to -1.44 percent. This represents a negative economic value of \$16.3 billion." Based off these latest findings it is clearer that FHA is on the verge of needing a [bailout from the Department of Treasury](#) which would be the first in its 80 year history. FHA needs to drastically increase its cash flow, decrease its anticipated loan defaults, or make reforms to prevent a bailout from happening and to be in compliance with its congressionally mandated minimum capital standard of 2 percent. FHA is on the brink of becoming the next Fannie and Freddie.

*Question or comments regarding RSC Financial Services Working Group items can be directed to Ja'Ron K. Smith, [Ja'Ron.Smith@mail.house.gov](mailto:Ja'Ron.Smith@mail.house.gov).*