

**NOMINATIONS OF: DAVID G. NASON,
MARIO MANCUSO, ROBERT M. COUCH,
MICHAEL W. TANKERSLEY, NGUYEN VAN HANH,
AND JANIS HERSCHKOWITZ**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED TENTH CONGRESS
FIRST SESSION

ON

NOMINATIONS OF:

DAVID G. NASON, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR FINANCIAL
INSTITUTIONS OF THE DEPARTMENT OF TREASURY
AND TO BE A MEMBER OF THE BOARD OF DIRECTORS FOR THE NATIONAL
CONSUMER COOPERATIVE BANK

MARIO MANCUSO, OF NEW YORK, TO BE UNDER SECRETARY FOR EXPORT
ADMINISTRATION OF THE DEPARTMENT OF COMMERCE

ROBERT M. COUCH, OF ALABAMA, TO BE GENERAL COUNSEL FOR THE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MICHAEL W. TANKERSLEY, OF TEXAS, TO BE INSPECTOR GENERAL FOR THE
EXPORT-IMPORT BANK OF THE UNITED STATES

NGUYEN VAN HANH, OF CALIFORNIA, TO BE A MEMBER OF THE BOARD OF
DIRECTORS FOR THE NATIONAL CONSUMER COOPERATIVE BANK

JANIS HERSCHKOWITZ, OF PENNSYLVANIA, TO BE A MEMBER OF THE BOARD
OF DIRECTORS FOR THE NATIONAL CONSUMER COOPERATIVE BANK

THURSDAY, MAY 10, 2007

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**U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.**

The Committee met at 3:05 p.m., in room SD-538, Dirksen Senate Office Building, Senator Jack Reed, presiding.

OPENING STATEMENT OF SENATOR REED

Senator REED. This hearing will come to order. Thank you, ladies and gentlemen.

Let me begin by saying that Senator Dodd very much wanted to not only be here but to obviously chair the hearing. He is unable

to attend. He has asked me to conduct the hearing. This is an important constitutional process that we are engaged in. I appreciate the fact that the nominees would all come forward, and not only appear but respond to our questions, both questions here today and questions that may be submitted in writing.

First let me introduce Mr. David George Nason of Rhode Island. Mr. Nason already has something to commend him to this Committee. He has been nominated to serve as Assistant Secretary of the Treasury for Financial Institutions and to serve as a Member of the Board of Directors of the National Consumer Cooperative Bank, as the designated Federal official in the Bank's charter. Mr. Nason currently serves as Acting Assistant Secretary of the Treasury for Financial Institutions, and until recently served as Deputy Assistant Secretary for Financial Institutions. Should he be confirmed, Mr. Nason would be responsible for managing a number of Treasury officials, including the agency's Office of Financial Institutions Policy and Government-Sponsored Enterprise Policy Office.

Prior to coming to the Treasury, Mr. Nason worked at the Securities and Exchange Commission where he served as counsel. Mr. Nason also worked as an attorney at Covington & Burling in Washington, D.C. Mr. Nason received a Bachelor of Science in finance from the American University and a J.D. summa cum laude from the Washington College of law at the American University.

I am particularly pleased to welcome Mr. Nason. I have had a chance to talk to him, and he not only ably represents the administration, but he able represents Rhode Island, and he does not forget his family and friends back there.

Next we have Mr. Mario Mancuso of New York. Mr. Mancuso has been nominated to serve as Under Secretary of Commerce for Export Administration. If confirmed, Mr. Mancuso would serve as head of the Commerce Department's Bureau of Industry and Security, and his primary duties would focus on enforcing our Nation's export controls of dual-use products, items with both civilian and military applications, including items that contribute to the proliferation of nuclear, biological, and chemical weaponry. Additionally, he would be tasked with coordinating Defense Production Act policies for delivering emergency supplies to the Government during a national emergency.

Since August 2005, Mr. Mancuso has served as Deputy Assistant Secretary of Defense for Special Operations in Combating Terrorism. From January 2005 to July 2005, Mr. Mancuso served as Special Counsel to the General Counsel of the Department of Defense where he worked on numerous matters involving international law, national security policy, and international affairs.

The next nominee is Mr. Robert Couch of Alabama, and Senator Shelby particularly wanted to be here, Mr. Couch, and introduce you in person, and I will do my best in that regard.

Mr. Couch has been nominated to serve as General Counsel at HUD. The General Counsel provides legal opinions in regard to all departmental activities. The Office of General Counsel is also responsible for enforcing fair housing laws, which is a critical function of the Department of Housing and Urban Development. Mr. Couch has an extensive legal and professional background. After graduating from law school at Washington and Lee University, Mr.

Couch served as a law clerk on the United States Fifth Circuit; then he served as a law clerk to United States Supreme Court Justice Lewis Powell.

In addition to practicing law at a number of firms, Mr. Couch was President of Collateral Mortgage, Limited, a firm in Birmingham, Alabama, and was President and CEO of New South Federal Savings Bank, also in Birmingham, Alabama. Currently, Mr. Couch is President of the Government National Mortgage Association.

Mr. Michael W. Tankersley, of Texas, has been nominated to serve as Inspector General of the Export-Import Bank of the United States. Mr. Tankersley is a partner with the firm Bracewell & Giuliani in Texas, where he counsels corporate boards and committees regarding fiduciary duty, conflicts of interest, disclosure, and securities law compliance. Mr. Tankersley has served as Chairman of the Business Law Section of the State Bar of Texas, and he is a former adjunct professor at the University of Texas Law School. Additionally, Mr. Tankersley received a bachelor's degree and master's of accounting from Rice University and his law degree from the University of Texas, where he served as editor of the Law Review and chancellor.

The Inspector General position is a newly created position at the Eximbank, and I would like to recognize the important leadership of Senator Allard in creating this position. Without his efforts, this nomination would not be possible today. I look forward to hearing from Mr. Tankersley regarding his thoughts on how this new office will operate.

The next nominee is Ms. Janis Herschkowitz, and I think Congressman Holden is due to introduce you. As soon as he arrives, I will let him do that, but suffice to mention that Ms. Herschkowitz has been nominated to be a Member of the Board of Directors of the National Consumer Cooperative Bank.

And, finally, Dr. Nguyen Van Hanh, of California, has been nominated to be a Member of the Board of Directors of the National Consumer Cooperative Bank. Dr. Van Hanh has served as Director of the Office of Refugee Resettlement since September 2001. In this capacity, he is a national leader in domestic refugee resettlement. Dr. Van Hanh was a part-time faculty member of California State University in Sacramento and in 1990 served as a representative of California Governor Deukmejian on community relations and managed various programs as senior economist on water resources for the State of California. Dr. Van Hanh holds a Ph.D. in economics from the University of California at Davis, and earlier he received a Bachelor of Science degree with high honors from the University of Florida and a Master's of Science degree in agricultural science from the same university. Welcome, Doctor. Thank you very much.

At this juncture I would now ask the nominees to stand so that I might administer the oath, which is required in these proceedings. Would you please raise your right hand? Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NASON. I do.

Mr. MANCUSO. I do.

Mr. COUCH. I do.

Mr. TANKERSLEY. I do.

Ms. HERSCHKOWITZ. I do.

Mr. VAN HANH. I do.

Senator REED. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. NASON. I do.

Mr. MANCUSO. I do.

Mr. COUCH. I do.

Mr. TANKERSLEY. I do.

Ms. HERSCHKOWITZ. I do.

Mr. VAN HANH. I do.

Senator REED. Thank you very much. Please be seated. I am used to that. I have a 4-month-old child, and she is trying to communicate with me, I know. And Senator Dodd also is used to it, so feel right at home, please.

Let me say that before we begin your statements, your entire written statements will be included in the record. We would like to confine remarks to 5 minutes because of the number of nominees before us today. And please also note that Members of the Committee could submit written questions to you for your consideration and prompt response. Chairman Dodd has a series of questions, I believe, for Mr. Mancuso which will be part of the record and will be forwarded to you for response, Mr. Mancuso, and other questions might be forthcoming from other members.

Now I would like to proceed to your statements, so let me first recognize Mr. Nason. Thank you for joining us today, and if you have family or others that are accompanying you, please feel free to introduce my constituents.

[Laughter.]

STATEMENT OF DAVID GEORGE NASON, ASSISTANT SECRETARY FOR FINANCIAL INSTITUTIONS-DESIGNATE, DEPARTMENT OF TREASURY, AND MEMBER OF THE BOARD OF DIRECTORS-DESIGNATE, NATIONAL CONSUMER COOPERATIVE BANK

Ms. NASON. Thank you very much. Chairman Reed, Ranking Member Shelby, and Members of the Committee, thank you for inviting me to appear before you today. I am grateful to President Bush and Secretary Paulson for their trust and confidence in me. I am honored to be here today as the President's nominee to be Assistant Secretary for Financial Institutions at the Treasury Department and to be a Member of the Board of Directors of the National Consumer Cooperative Bank, an organization established to assist underserved communities across the Nation.

I would like to thank my family for their unyielding support of my decision to continue in public service. I would like to introduce my wife, Nicole, right there, my best friend, who is a dedicated public servant; and our daughters—Alexandra is 6, Abigail is 2—and is 2 in every sense of the word but asleep so I will keep my voice quiet. It will make this hearing go a lot faster. And my parents, George and Ann Nason, are also here today.

Chairman Reed, you would be interested in knowing that my parents have been commuting from Providence to Washington,

D.C., weekly to take care of our daughters for a period of years, so certainly above and beyond the call of duty for parents and grandparents.

If confirmed, I look forward to working with Secretary Paulson, Under Secretary Steel, and the rest of the Treasury team, along with others in the administration and Congress, on a variety of important issues impacting our financial institutions. In my current role as Deputy Assistant Secretary, I have had the opportunity to engage on numerous important issues that affect our capital markets and financial institutions, including Treasury's position on banking and insurance regulation. I also serve as an adviser to Secretary Paulson in his capacity as Chair of the President's Working Group on Financial Markets.

If confirmed, I will work constructively in my role as Assistant Secretary for Financial Institutions to ensure that the Department faithfully carries out its responsibilities related to financial institutions policy, critical infrastructure protection, and financial education. These topics are diverse, complex, and have a direct impact on the lives of Americans.

The legal and regulatory structure imposed on our financial institutions must guard against systemic risk, must protect consumers, and must enhance their confidence. If confirmed, I will help Secretary Paulson shape and implement his agenda on capital markets competitiveness. I share the Secretary's view that robust and vibrant capital markets are directly tied to future economic prosperity for all Americans.

I believe that my prior professional experience has prepared me for this important responsibility. Before coming to Treasury, I served at the Securities and Exchange Commission as counsel to a Commissioner. I was there at a critical moment in the SEC's history when the agency implemented the Sarbanes-Oxley act of 2002, the most comprehensive piece of securities legislation in decades. My experience there has contributed significantly in preparing me for this next challenge at the Treasury Department.

Prior to the SEC, I spent time in the private sector as an attorney at Covington & Burling where I focused on securities offerings, mergers and acquisitions, and Federal tax planning. If confirmed, I would seek to ensure a constructive dialog with Members of Congress and their staffs, and I appreciate the time that Members of the Committee have taken to consider my nomination, and I would be happy to answer any questions.

Senator REED. Thank you very much, Mr. Nason.

Mr. Mancuso, if you have friends or family here you would like to introduce, please do so and the floor is yours.

**STATEMENT OF MARIO MANCUSO, UNDER SECRETARY-
DESIGNATE, DEPARTMENT OF COMMERCE**

Mr. MANCUSO. Thank you very much, Mr. Chairman.

Mr. Chairman, Senator Shelby, and other distinguished Members of the Committee, it is a great honor to be before you today as the President's nominee to be Under Secretary of Commerce for Export Administration. I want to thank the President and Secretary Gutierrez for their trust and confidence in me and for the privilege

to be considered to lead and serve alongside the dedicated and talented men and women of the Bureau of Industry and Security.

I would also like to thank my wife, Leesa, and our daughter, Maia—who do not live in Rhode Island, but are open to the opportunity—for their love and support, and my family and friends who are here today, I think filling half the room: my Mom and Dad, Giacinto and Francesca Mancuso; my uncle, Anthony Modika; my in-laws, Marty and Arlene Klepper; Abby Golden and Bill Posner; Brother Dominic Quigley; and Tara and Tim Kelly. Thank you.

Finally, I want to thank you and your respective staffs. I appreciate the time you have taken to meet with me and to share your perspectives on the issues facing the Bureau of Industry and Security. I look forward, if confirmed, to working closely with you and them in the future.

In late summer 2001, I was in the private sector practicing corporate law at Ropes and Gray, much as I had done for the better part of the previous decade. I represented U.S. companies and investment banks as they made their way in the competitive, fast-moving, and dynamic new international business environment. It was the best of times. Then 9/11 happened and everything changed.

Soon after Johnny “Mike” Spann, a friend and jump school classmate, was identified as the first combat fatality in Afghanistan, I volunteered to serve a combat tour of duty in Afghanistan. Despite my best efforts, I did not have the opportunity to serve in Afghanistan. However, I would later have the great privilege of leading U.S. troops like Tim Kelly in Operation Iraqi Freedom.

The personal details of my service are less important than the lesson I learned in Iraq and as a senior official at the Department of Defense; that is, while we are fortunate to have the world’s most vaunted military, national security does not rest upon military power alone. Instead, our national security depends upon preserving our military capabilities and advantages and integrating these with all elements of national power, including the economic power of U.S. workers and companies.

As this Committee knows well, the Bureau of Industry and Security advances U.S. national security, foreign policy, and economic objectives by ensuring an efficient and effective dual-use export control system and by promoting continued U.S. strategic leadership and technology. BIS uses two primary tools to do this: issuing regulations and enforcing them. These functions are synergistic and both are vitally important. If confirmed, I will work diligently to ensure that these tools are used fully and judiciously. If confirmed, I will also work with this Committee in support of the reauthorization of the Export Administration Act pending long-term fundamental reform of the dual-use export control system.

For many years, the unrivaled position of the U.S. as the economic and technology leader of the world made it possible for the United States to generally administer export controls without the need to give equal weight to economic tradeoffs of reduced exports, particularly since our closest competitors were also our allies and they agreed with export controls designed to keep sensitive items outside of the hands of the Soviet Union and its satellites.

Today, investment capital, technology, and intellectual talent are more widely distributed, while national perceptions of security risk are no longer universally shared. In light of these tectonic changes, the decisions BIS makes every day affect the bottom line of U.S. workers and U.S. companies. If confirmed, I will never forget that. Moreover, I will use my executive experience in the private and public sectors to help U.S. businesses sell their products internationally, create jobs for U.S. workers, and enhance our national security.

Should I be confirmed, I will take a multifaceted approach to export controls and energetically strive to make our controls as targeted and as multilateral as possible, whenever possible. In every instance, I will seek maximum possible input from this Committee, interested members of the executive branch, and industry to ensure that our export control system is smart, efficient, and effective and takes into account the real bottom-line impacts on U.S. workers and companies.

Mr. Chairman, thank you for this hearing and for considering my nomination. I would be delighted to take your questions.

Senator REED. Thank you very much, Mr. Mancuso.

Mr. Couch, if you have anyone you would like to introduce, please do so, then proceed with your statement.

**STATEMENT OF ROBERT M. COUCH, GENERAL COUNSEL-
DESIGNATE, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Mr. COUCH. Chairman Reed, I want to thank you for the opportunity to appear before you today. I would also like to thank Ranking Member Shelby for the kind words he has entered into the record. And thank you to all of the staff who have met with me over the last month. Those meetings have helped me gain important insights into the position for which I have been nominated.

I would also like to express my sincere appreciation to President Bush and Secretary Jackson for their confidence in asking me to not only be part of the administration, but to have the confidence in me to serve both as the President of Ginnie Mae and as HUD's Acting General Counsel. I am certainly honored to be nominated to serve as the General Counsel of HUD.

If my appearance today seems like *deja vu* to you, it was a little more than a year ago that I came before this Committee as the need to serve as President of Ginnie Mae. I appreciate the confidence you put in me then, and I can assure you that over the last year, Ginnie Mae has continued to fulfill its mission of expanding access to affordable housing in America by linking the global capital markets to the Nation's housing markets. I am grateful for the opportunity the President, Secretary Jackson, and the U.S. Senate gave me when I was confirmed last year. I have been extremely impressed with the professional staff at Ginnie Mae, and I strongly believe the organization will continue to be successful and effective in meeting its goals.

Today I am before you as the nominee for the position of General Counsel of HUD. Just this past weekend, I was in Lexington, Virginia, celebrating my 25th law school reunion at Washington and Lee University. Since I graduated, I have been proud of the oppor-

tunities I have had both as a lawyer and as a banker, and I believe my previous occupations have provided me with the skills necessary to serve as HUD's chief legal officer. In addition, I have served as the Acting General Counsel for approximately 6 months, and I have become very familiar with the operations of the agency and the Office of General Counsel.

The Office of General Counsel is a legal organization of approximately 400 lawyers with offices spread throughout the Nation. I have already visited several of our regional offices and have gotten to know many of the very talented and dedicated attorneys in the field and at headquarters here in Washington, D.C. Let me just say that I have been extremely impressed.

If confirmed, I am committed to working with our clients within the agency to provide the best legal counsel possible to further HUD's mission—that is, to increase homeownership, support community development, and increase access to affordable housing, free from discrimination.

I would also like to thank my wife, Anne—who is here today in the second row—and my family for the love and support they have given me, especially during the move from Birmingham to D.C. And, Senator I am afraid I cannot take this accent to Rhode Island. This has been a challenging, exciting, and rewarding time for me, and for them as well.

Mr. Chairman, I am very appreciative of the trust that the President and Secretary Jackson have placed in me by nominating me for the post of General Counsel. I am grateful for the Banking Committee's consideration today, and I would be pleased to answer any questions you might have.

Senator REED. Thank you very much, Mr. Couch.

Mr. Tankersley, if you would make your statement and introduce anyone who might be accompanying you.

STATEMENT OF MICHAEL W. TANKERSLEY, INSPECTOR GENERAL-DESIGNATE, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. TANKERSLEY. I will do that. Thank you, Mr. Chairman. I am Mike Tankersley of Dallas. It is an honor to appear here today as the President's nominee to become the first Inspector General at the Export-Import Bank of the United States. I come here today having spent 25 years as a practicing lawyer working for clients that have included numerous small and growing businesses, a very important constituency of the Export-Import Bank, also working with public companies, banks, and insurance companies. Most of them have been U.S. based; some have been foreign.

I have helped these clients in a variety of commercial transactions—lending, raising capital, addressing their legal compliance challenges. In recent years, I have spent a lot of time advising boards on governance matters, including the demands of the Sarbanes-Oxley act and guiding them through special investigations of allegations of fraud and illegality.

Before graduating from law school, I was at the business school at Rice University, which, interestingly, is named for Jesse Jones, the second Chairman of Export-Import Bank, a fellow Texan who was a key adviser to President Roosevelt in establishing the Bank.

I have had a CPA certificate for a number of years, and while I do not hold myself out as being an expert in accounting, I believe that background will be helpful, and, if confirmed, it will prove valuable in serving the Bank as well.

My investigation of the Export-Import Bank since my nomination has confirmed that it is well regarded here and abroad and that its leadership and staff are highly expert and motivated in carrying out the Bank's mission and the policy directives of the Congress as reflected in its statute. The Bank's reauthorization last fall in the final days of that Congress is, I think, a testament to the regard and bipartisan support the Bank enjoys with this Committee and the Congress as a whole.

My conversations with Chairman Lambright and General Counsel Schweitzer have confirmed that they are supportive of the job I am going to be doing, if confirmed, and that they are looking forward to working together to advance the quality and the responsiveness of the Bank's compliance and other functions that I will be responsible.

The chance to serve as the first Inspector General at the Bank represents a unique chance to bring together all of my varied experiences and training to create a new and very important function. I am committed to and comfortable maintaining the degree of independence that that position requires and that Senator Allard and Senator Martinez and others have encouraged me to maintain. At the same time I hope, if confirmed, to be the sort of approachable Inspector General that I have been counseled is often the most effective.

I believe my background is a good fit with the varied responsibilities of the position as an independent voice in the agency with responsibility for audits, investigations, and charged with preventing fraud, waste, abuse, and promoting economy and effectiveness and efficiency. If confirmed, I will particularly look forward to working with this Committee as an independent point of communication and with other interested Members of Congress.

I am grateful that the President has offered me this opportunity to serve our Nation. I considered public service when I was getting out of law school in 1980, and I have harbored lingering regret that I did not do it at that time. My family, friends, and loved ones have been very supportive of my decision to seek out this opportunity, and if confirmed, I expect that will continue. In that regard, I would like to introduce to the group my very good friend, Karen Cornell, who is here with me today. The rest of my family were otherwise committed.

I appreciate you considering my nomination today, and if you have any questions for me now or in the future, I would look forward to answering them. Thank you.

Senator REED. Thank you very much, Mr. Tankersley.

Dr. Van Hanh, if there is anyone you would like to introduce, please do so and then proceed to your statement.

STATEMENT OF NGUYEN VAN HANH, MEMBER OF THE BOARD OF DIRECTORS-DESIGNATE, NATIONAL CONSUMER COOPERATIVE BANK

Mr. VAN HANH. Thank you, Mr. Chairman.

Mr. Chairman, I am honored to appear here today as the nominee to become a Member of the Board of Directors of the National Consumer Cooperative Bank. I would like to thank President Bush for this very special nomination.

To my parents and my family goes my deep appreciation for their love and support, for my education and involvement with the community for many decades. Mr. Chairman, I am here because I believe my combined experience as an economic development professional and a community leader is consistent with the mission of the National Consumer Cooperative Bank, also known as NCB.

NCB was established to serve the needs of the underserved communities across the Nation, primarily through user-owned cooperatives. From its founding and continuing through today, an important element of its mission has been assisting low-income persons and communities.

I was born in Vietnam, and I was naturalized as a U.S. citizen. My professional experience includes many years working with refugee and low-income populations. Currently, I am teaching economics at the California State University in Sacramento and working on international programs in financial education as an affiliate professor at George Mason University. I received my Ph.D. degree in economics from the University of California, Davis.

In the late 1970's, when thousands of refugees from Southeast Asia arrived in the U.S., I helped found the Bach Viet Association in collaboration with a group of local community leaders to provide socioeconomic assistance to Southeast Asian and Russian refugees. My work continued in the subsequent years at the national level. The refugees, immigrants, and minorities share the same common barriers in gaining access to investment capital as they were often perceived collectively as high-risk borrowers without track records or collateral.

Most recently, from 2001 through early 2006, as Director of the Office of Refugee Resettlement, I had the unique opportunity to expand existing programs and to initiate new ones to address the financial needs of the growing community. For example, funds were allocated to the microenterprise and the individual development account, or IDA, programs, as well as the newly established Refugee Rural Initiative.

I was very encouraged to learn that NCB has successfully provided effective banking and financial services to many communities across the Nation, the type of financial resources necessary to address the needs of the minorities I was working with. NCB has directly provided over \$3 billion in specialized lending, investment, and technical assistance to underserved communities across the country, especially benefiting those in need of help in health care, education, affordable housing, and small business development. These needs are similar to those experienced by the growing population of new Americans.

Problems created by poverty in America are being addressed by innovative community lending and expert technical assistance which has been built into NCB's nonprofit affiliate NCB Capital Impact. NCB Capital Impact is designed to empower the underserved communities through self-help, democratic control, and community participation. In the past 3 years alone, NCB Capital Im-

pact has financed over 4,700 units of affordable housing, 14,800 school seats, 8,700 affordable assisted living units for seniors and persons with disabilities.

Being trained as an economist with extensive experience working with the low-income communities, I believe I am qualified to serve on the Board of Directors of NCB. If confirmed, I intend to promote the best practices of NCB in developing access to investment capital and financial services to the low-income, to expand the partnership between the cooperative banking sector and the communities across the Nation, and to make a substantive contribution to the Board of Directors of NCB.

Your consideration is very much appreciated, and thank you for the honor to be here. Please allow me to respond to any questions you may have at this time. Thank you.

Senator REED. Thank you very much, Dr. Van Hanh.

We have been joined by my colleague, Senator Bob Casey of Pennsylvania, and although we expect Representative Holden to come and make some comments, Ms. Herschkowitz, there is an opportunity for Senator Casey to make his comments and also introduce you, and then you can present your friends and family and your statement.

Ms. HERSCHKOWITZ. Thank you.

Senator REED. Senator Casey.

STATEMENT OF SENATOR ROBERT P. CASEY

Senator CASEY. Mr. Chairman, thank you very much.

I want to thank Senator Reed for bringing us together today and thank all those who are in attendance for the time you are taking and the service that you are providing to the country. I have a particular honor today to introduce someone from my home State, Janis Herschkowitz from Lebanon County, Pennsylvania, which is a place that actually I know where it is and I have been there.

Ms. HERSCHKOWITZ. Very good.

Senator CASEY. We will not get into campaigns and elections, but I have been to that county, and it is a great community. But I did want to say a few words about Janis and also about the importance of this hearing.

First of all, Janis is President and CEO of PRL, Incorporated, which consists of four manufacturing companies, including a foundry and a machine shop, and she also serves on the Pennsylvania Chamber of Business and Industry, on the board of that organization. She has been a strong advocate for small business for a number of years. She has also helped to remove obstacles from the path of Pennsylvanians, especially small business owners when they try to redevelop brownfields. She has been named one of the top 50 Best Pennsylvania Women in Business by the Pennsylvania Department of Economic Development, and she has been nominated to the Board of the National Cooperative Bank, and we are honored that a Pennsylvanian has been so nominated. And I am happy to be here today to support her nomination. Maybe I can ask you just in the short period I have right now if you would introduce your family or just tell us if they are here and if you could identify them.

Ms. HERSCHKOWITZ. I would love to introduce my family, and also thank you very much for those kind words.

I would like to introduce my mother, Barbara Herschkowitz; my sister, Pat Herschkowitz; and my boyfriend, Lieutenant Colonel Wallace Vitez who managed to get out of Fort Dix to be here today.

Senator CASEY. Wow. Thank you very much. We are honored that your family is here.

Ms. HERSCHKOWITZ. I would also like to thank them for their ongoing support.

Senator CASEY. Well, thank you. We especially appreciate when a member of the armed services is here. We are honored.

This gentleman on my left, Senator Reed, has a proud service record, and we are honored to be in his presence all the time, but especially when he is educating fellow members of the caucus about defense issues and national security issues. And I am also indebted to him today in a very special personal way because, as you noticed, when I came in this room, I went all the way down to my seat, and Senator Reed was so kind to a first-year Senator. He instructed the staff to bring me closer to the Chair. I am only inches away from the gavel.

[Laughter.]

But I do not want to get my hopes up.

I am grateful for Senator Reed's leadership on this Committee and in so many other capacities, and I will wait until a little later to get some questions in. Thank you very much.

Senator REED. Thank you, Senator Casey, for those very kind words and for your introduction of Ms. Herschkowitz.

Ms. Herschkowitz, if you would like to make your statement now, please.

**STATEMENT OF JANIS HERSCHKOWITZ, MEMBER OF THE
BOARD OF DIRECTORS-DESIGNATE, NATIONAL CONSUMER
COOPERATIVE BANK**

Ms. HERSCHKOWITZ. Yes. Mr. Chairman and Senator Casey, I am honored to appear before you today on my nomination as the Small Business Representative to the Board of Directors of the National Consumer Cooperative Bank. I am President and CEO of PRL, Inc. I became President of PRL, Inc., in 1989 upon the death of my father. Prior to joining the company, I was financial manager of a \$186 million division of Zenith Financial Corporation.

Despite PRL's small size and the fact that we only have 122 employees, PRL is a proud supplier of high-specification castings. As an example, we manufacture pumps and valve bodies which are currently used in nuclear submarines and power plants around the world. We have a highly skilled labor force, feel we have the most vertically integrated foundry in the country, and play a critical role in our Nation's defense.

Our team's dedication to quality is reflected in our customer base, which includes such important military suppliers as Electric Boat, Northrop Grumman, and Curtiss-Wright. Under my leadership, PRL has overcome many challenges, including opening a foundry, being highly leveraged while losing the majority of our customer base due to defense cuts, and surviving the onslaught of foreign outsourcing. I know the stress of trying to cover cash-flow while still meeting payroll obligations. I also know what it takes

to borrow money as, at the age of 29, I was able to obtain a bank loan to open a foundry.

One of our proudest accomplishments is that as a small manufacturer, PRL has managed to thrive in an environment where the vast majority of our competitors have been forced to close their doors. I feel this business experience, coupled with my strong financial and board background, makes me an ideal candidate as the Small Business Representative for the Board of Directors for NCB.

I have an MBA in finance from the University of Texas and was fortunate enough to serve as Chairman of the Business Advisory Council for the Federal Reserve Board of Philadelphia. I have also served on numerous other State and local boards in leadership positions, including community service organizations as well as chambers. In addition, I have a very diverse background. I have a Bachelor of Arts in international relations from Penn State University, grew up in Bolivia, speak Spanish, and started my career working at Maquiladoras and Matamoros in Juarez, Mexico, as a financial analyst for Zenith Corporation. This provides me with a unique perspective which helps me to better understand other cultures and enhances my decisionmaking abilities.

However, what truly makes me particularly qualified to be a Member of the Board of Directors is my newly found passion for NCB and what they are able to do. Having undergone an extensive briefing process, I now understand NCB represents what a lending institution can accomplish when it enables people to help themselves and as a role model of public and private sector cooperation.

In the small business market, NCB leverages relationships it builds with cooperatives to provide the best possible products to its consumers. NCB is also an SBA National Preferred Lender and has provided almost \$30 million in loans to small businesses. In addition, the Bank is also preferred lender to Ace Hardware, which is one of the largest cooperatives in the country.

The bottom line is NCB understands—and it is an issue I am very passionate about—that small business is the engine that runs today's economy and that NCB provides a mechanism for small business to not only survive but also prosper. Given my business and life experiences, I feel I can play a significant role in further realizing the Bank's mission.

In closing, I would be proud to serve as a Board Member to the National Consumer Cooperative Bank, appreciate your consideration, and would welcome the opportunity to answer any questions.

Senator REED. Thank you very much, Ms. Herschkowitz. Thank you all for your very excellent testimony.

We will begin a round of 7 minutes of questioning. As I indicated previously, Chairman Dodd has submitted questions in writing, and those questions and your responses will be made part of the record, as well as any additional questions submitted by my colleagues.

Let me start with Mr. Nason, and thank you again for your service as you go forward. One of the issues that this Committee and the Nation are struggling with is the competitiveness in a global economy of our financial markets, and in your position, you are going to have a critical role in that review. I wonder if you might comment on any of the proposed reforms that Treasury is contem-

plating in terms of this competitiveness between, for want of better terms, Wall Street and many other financial markets?

Mr. NASON. Thank you for that question, Senator. That is something that I will be focused on very closely with Secretary Paulson on this. As you know, we recently had a large conference where a series of ideas were provided to dealing with this, and there are three baskets of issue that the Secretary has identified that he would like me to focus on, if confirmed.

The first is our regulatory structure in the United States as to whether or not our regulatory structure for financial institutions and capital markets is optimal for changing and more dynamic capital markets.

The second basket of issues that he would like me to focus on specifically is the challenges facing the auditing profession. The auditing profession has developed and has changed dramatically in the last few years. There is a greater amount of concentration among the accounting firms, and it is an issue, and the accounting profession is critically important to our capital markets, and they deserve more attention and more analysis from the Treasury Department.

And the third issue that we will be focusing on is the corporate governance issue and legal reform issues within the FIRN because there are a lot of changing dynamics going on right there, so we will be studying that as well.

Senator REED. Thank you very much. Let me follow up with another question. One of the burning issues at the moment are hedge funds, their operations, their activities. There is concern lately about the leverage that hedge funds are deploying in the marketplace. And I know the President's Working Group has looked at this very closely. Can you talk to us about what further steps they might be taking, what further advice they might have for the Congress?

Mr. NASON. Certainly. I am glad you raise the issue.

As you refer to, the President's Working Group on Capital Markets recently released a Statement of Principles and Guidelines regarding private pools of capital and hedge funds, and these were an opportunity for the members of the President's Working Group, which is the Treasury Secretary and the other financial regulators, to speak with one voice about what needs to occur to reflect a changing marketplace that hedge funds are participating in. These principles and guidelines are not a reflection or an endorsement of the status quo. They are a reflection of all the regulators suggesting that each of them needs to do more and heightened vigilance within the current regulatory structure.

So what the Secretary has asked me to do and other members of the domestic finance team is to reach out to the regulators, reach out to the community and the constituents that are involved in the private pools of capital space, the managers, the people that lend private pools of capital money, and the regulators to ensure that people are taking these guidelines seriously, that people are following up on them, and if there is more that we need to do on the Government side, that we should do it.

Senator REED. Thank you very much, Mr. Nason.

Let me suspend my questions right now and recognize Representative Tim Holden of Pennsylvania. I had the privilege of serving with Tim in the House of Representatives. He is a remarkable Representative not only for Pennsylvania but for the Nation, and we are respectful of the busy schedule of House Members, Tim, so please take your opportunity to make your comments about Ms. Herschkowitz.

**STATEMENT OF TIM HOLDEN, U.S. REPRESENTATIVE FROM
THE STATE OF PENNSYLVANIA**

Representative HOLDEN. Thank you, Mr. Chairman, Senator Casey. I apologize for being a little bit late, but, Mr. Chairman, you remember in the House days that the schedule cannot really be predicted.

But I just wanted to take a moment really to recommend my constituent, Jan Herschkowitz, who has been nominated to serve on the Board of Directors for the National Consumer Cooperative Bank. I have had the privilege of knowing Jan over the last 5 years when redistricting occurred in Pennsylvania and Lebanon County became part of the 17th Congressional District, which I represent.

She is a remarkable woman, a tremendous business person, served as CEO for her company, since the passing of her father, for 19 years. It is a company, PRL Industries, which is a very successful company, does a lot of defense work, does a lot of submarine work, Mr. Chairman, which I know is near and dear to Rhode Island. And Jan is also very, very active in our community. She is a Past Chairman of the Lebanon Valley Chamber of Commerce, appointee of the White House Conference on Small Business, recipient of the Pennsylvania Top 50 Best Businesswomen Business Award, and Chairman of the Reserve Bank of Philadelphia.

Mr. Chairman, I have to admit I did not know a heck of a lot about the National Consumer Cooperative Bank until Jan was nominated for this position, but I have had a chance to review what their mission is and what their goals are, and I would just take this opportunity to highly recommend Jan. I think she would be a successful and very, very positive Board Member.

So thank you, Mr. Chairman, and thank you, Senator Casey.

Senator REED. Thank you.

Senator Casey, do you have a comment?

Senator CASEY. Well, I just want to reiterate what I had said earlier, first of all, to commend the work of Congressman Tim Holden. I have known him a long time as well, and, by the way, I should say he does better in Lebanon County than I do.

[Laughter.]

But I am grateful for his presence here and his knowledge of your work, and it is critically important that we have Members of the House of Representatives and the Senate who understand all of our constituents, those we have known a long time and those we are just getting to know. So we are honored to second what Congressman Tim Holden just said.

Senator REED. Thank you very much, and I know how hectic it is in the house, and thank you so much for coming by, Congressman.

Representative HOLDEN. Thank you, Mr. Chairman, Senator Casey.

Senator REED. Let me resume my questioning.

Mr. Mancuso, in your role you have significant responsibilities about the export control system, and there is an inherent tension between trade and security. I would be curious about your reflections about those close calls between security and trade. Are we in balance? Are we not doing enough to protect security in order to encourage trade? Or are we restricting trade unnecessarily? Do you have some initial thoughts at least?

Mr. MANCUSO. Yes, I do, Mr. Chairman. What I would like to say is that, to some extent—I would not say that those values are contradictory. I think sometimes they are divergent and they just have to be balanced very, very carefully, which is why the efficient administration of the export control regime is so important, which is why it is important to reach out to industry, to reach out to the interagency to make them as multilateral as possible.

What I would say is that this position is a national security position, but as I mentioned in my opening comments, it really depends on your definition of “national security.” We do not have the luxury of defining it narrowly. Economic power is critically important. The contributions of industry are critically important.

What I would say, sir, is that in the challenges as I understand the challenges that BIS is facing right now, it is this careful balance. How do you participate in a globalizing and very complex economy while at the same time minimizing the risks that come with that? The balance is difficult to strike, but what I would say, sir, is this: The Under Secretary for BIS must be mindful of national security; however, at all times the export control regime has to balance these sometimes divergent interests, has to balance them carefully, with full consultation with the private sector, with members of the interagency, obviously with this Committee, so that it fulfills its mandate.

Senator REED. Thank you. Recently, Secretary Gutierrez submitted a proposal for reauthorizing the Export Administration Act, and I presume you have had a chance at least to take a look at that. Your role, if you are confirmed, would be to help move that legislation through the Congress, and in that regard, are there any specific issues there that you think are most critical to focus on?

Mr. MANCUSO. Mr. Chairman, well, I would start by saying it is critically important to have it reauthorized, for a variety of, frankly, independently sufficient reasons.

One is that what the Act would do, as I understand it, is expand the authorities under which BIS’ enforcement agents would operate, which are key to its mission.

Second, it would heighten penalties, so create a better incentive structure for BIS to carry out its enforcement function. But I think I would like to take a step back and talk about the BIS mission holistically.

BIS, as I mentioned in my statement, has a policy function; it issues regulations. And it also has this enforcement function. Both of those two are synergistic, which is why it is critically important to pass this legislation. And if I would be confirmed, I would look

forward to working with this Committee and working with Congress to try to get it passed.

Senator REED. Thank you, Mr. Mancuso.

I have questions for all the panel, but let me at this moment recognize Senator Casey for his round of questioning, and then we will have a second round, at least.

Thank you, Senator.

Senator CASEY. Thank you, Mr. Chairman.

Janis, I think I will start with you and leave it open to others as well. But one of the things that we are struggling with in the Senate today—and it has been a challenge for many years now, but especially in the last couple of years—and I have only been here a couple of months, but I heard about this everywhere across our State. It is the issue of health care. I think most people, even though who believe we could have, that we should have health care for all Americans, the 47 million—and that number keeps going up—who do not have health insurance, that that is not going to happen anytime soon, but we should take substantial steps in that direction.

One of the ways we are going to do that this year, that we must do—we cannot fail in this, and I think the administration is—to say they are shortsighted on this is an understatement. I have to say that in all candor. But it is the State Children's Health Insurance Program, to make sure that gets reauthorized so we can have it in place for the millions of children across the country who benefit from that.

After that, after children's health insurance, there is very little consensus on what we should do next in terms of taking a positive step or a substantial step in the right direction.

I want to ask you, as someone who has not only run a business under difficult circumstances, but also someone who has been part of groups that deal with all kinds of business issues across the State and across central Pennsylvania: What do you think this Senate, this Congress could do to help in terms of taking a positive step on creating opportunities for small businesses to have the benefit of expanded health care or other steps that would help you insure more of your employees or to give other businesses the opportunity to do that?

Ms. HERSCHKOWITZ. Well, it is obviously a very sticky issue, and we have put up, particularly with our workforce, because they tend to be older and primarily men, because it is the foundry industry, and they tend to be in the worst demographics because they really do not take care of their health when they are younger and tend to go to the doctor at the last moment, so it becomes very costly at later ages.

I think small business can play a role in this. I strongly believe that small business and sole proprietors should be allowed to deduct their health insurance. I think that would help. I am a huge mandate for health competition. I also believe in health savings accounts, and very similar to cooperatives such as the National Consumer Cooperative Bank, where small businesses can pull together to gather their resources together in order to have more purchasing power. But it is probably one of the top three issues that we are confronted with.

I also think if you want to take a look at Governor Rendell's plan, he has an awful lot of good advice on the cost side in terms of cutting health care costs so it can be more competitive. And then once we determine the cost savings that can be realized, we can get a budget to decide if the other part of it becomes applicable.

Senator CASEY. Can you tell us, just in the last—I am trying to give some good boundaries here. Just within the last year, if you compare, let's say, the calendar years 2005 to 2006—we are in the middle of 2007, but 2005 to 2006, a 1-year increase in health care costs in terms of your business, and then maybe look back 5 years. Can you give us a ballpark number in terms of how that has gone up or whether it has gone up substantially?

Ms. HERSCHKOWITZ. It has gone up significantly. I tend to not have a broker and I negotiate it myself, and I have found that if you take it to the end, you can get a further reduction. But I do know 1 year the initial increase was 32 percent, and we managed to get it down to 8 percent. This past year, we had a better experience. Because we are experience-rated with 122 employees, we were able to—I think last year's increase was around 5 percent. And it is sort of ironic in our business where you are not allowed to increase costs when you are happy when you have a 5-percent increase. But it is truly a problem that we grapple with every day, and it has become a higher percentage of our benefit costs.

Senator CASEY. Well, you have figured out something that Washington has not figured out by keeping those costs down, so we may have to have you back.

But I also want to direct at least one question, or two, to other members of this panel, and in particular, I know that this issue of health care is pervasive. It is in every agency and every business. And I am just wondering if anyone else has a point of view in terms of what you think this Congress must do on this issue. Anyone who wants to chime in? No volunteers?

[Laughter.]

Well, we got a consensus on that.

The other question that I wanted to ask was—and if you have comments that you want to submit in writing, that is fine. We will try to keep them, not make them as public. But in terms of HUD, the Community Development Block Grants, that has been slated to be cut back. That program has been slated to be cut back. I think it is a big mistake. It has a particularly adverse impact on Pennsylvania in a lot of our communities, and not just some cities. A lot of town will benefit from that. So I would ask you if you could comment on where we are with that proposal and what your perspective is from the administration's point of view.

Mr. COUCH. Yes, Senator, I would be glad to comment on it, but it is really nothing that is within my purview. It falls with the Community Planning and Development Office within HUD, and I can certainly get to you a response in writing about that.

The Administration's FY 2008 budget request for the CDBG program represents the fact that difficult choices must be made with respect to discretionary domestic spending. Nonetheless, the Administration is seeking slightly more than \$3 billion for CDBG in FY 2008, similar to the prior fiscal year.

The Administration's FY 2008 budget also proposes several significant reforms to the CDBG program. Enactment of the Administration's CDBG re-

form proposal would replace the existing dual formula approach with a single formula, which better reflects existing community development needs. While some Pennsylvania CDBG grantees would experience a funding reduction, other grantees such as Allentown, Lancaster, Philadelphia and Reading would see funding increases under the revised formula when appropriation levels are held constant. CDBG grantees would also be eligible to seek additional funding through the proposed CDBG Challenge Fund, which would serve as an incentive to grantees to target development resources to the neediest neighborhoods in their communities.

I did sit in on the budget hearings last week before the Appropriations Committee and heard the Secretary remark on the difficult situation that we have. You know, it is a tight budget and difficult decisions have to be made.

I know that I also overheard the discussion about trying to make the CDBG process more equitable so that formulas that may have gotten somewhat outdated can be revisited. But I really would defer to the Assistant Secretary for CPD on that question.

Senator CASEY. I would ask if you would make sure you submit an answer to that question.

Mr. COUCH. I will make sure she does.

Senator CASEY. And, Mr. Mancuso, I wanted to ask you a question about trade. We have seen our trade deficit spiral out of control, especially in the last couple of years, and we are forever told that trade agreements that this country has already entered into and those that we are planning to debate in the years ahead will solve some of our major trade problems and the tremendous deficit that we have right now.

Upon confirmation, you will be playing a role in this, and I want to get your sense of where we are in terms of a strategy from this administration to lower that trade deficit.

Mr. MANCUSO. Thank you, sir. Thank you, Senator.

You know, I was struck by the testimony that was given by Ms. Herschkowitz on the plight of PRL Industries and how it struggles, in her case, with health care, and I am sure with other issues. But it is precisely those kinds of companies, those kinds of stories, that kind of input that is critical, I think, to a Government official, in my instance, should I be confirmed as an Under Secretary, in thinking about the export control regime specifically, but also in thinking about trade.

As I understand it from my briefings at Commerce, Commerce has taken the position, which is the administration position, that as these trade agreements are negotiated—which, of course, are larger than BIS' purview—dual-use export control regimes—that the elements of export control, having effective export controls have been integrated into those trade administrations.

That is the extent to which Commerce would be involved from a trade perspective, but I would just underscore what I think is the nub of your question, that the impacts on American workers and jobs and companies are critically important, and should I be confirmed, to the extent that the dual-use export control system implicates those interests, which it does a tremendous amount, I as Under Secretary working with the men and women of BIS, working with our interagency colleagues, working with industries, companies like Ms. Herschkowitz's company, will take that into account as best we can, balancing the equities.

Senator CASEY. Thank you.

Mr. MANCUSO. Thank you.

Senator CASEY. Thank you, Mr. Chairman.

Senator REED. Thank you very much, Senator Casey.

Mr. Couch, this is another question which is not under your purview as nominee for legal counsel, but you might indicate to Secretary Jackson that I for one—and I think I am not alone—am concerned about the fact that in the Section 8 housing program, it is my understanding that HUD has not yet told State housing agencies and local housing agencies what level of funding they are getting for fiscal year 2007 and we are halfway through. I know there are some technical issues here, but the faster they can notify people about what they can expect, the better off we will be. And we will communicate in writing to the Secretary, but you might see him sooner than he gets the note, and let him know that is coming.

On an issue that is within your responsibilities prospectively as the legal counsel, on April 30th HUD issued a notice that it will no longer provide vouchers to replace each unit of public housing that is being demolished or sold. This is a tremendous potential loss of support for people who desperately need it. They lose their public housing, there is no voucher, they are sometimes literally out in the cold.

It is interesting that this proposal was made but rejected by Congress just 2 months previously. It was not incorporated in the continuing resolution for fiscal year 2007. So that raises a legal issue. To what extent do you think it is wise to essentially by policy announce a decision that was proposed for a legislative change that was rejected, if you can follow that tortured logic, Mr. Couch.

Mr. COUCH. Senator Reed, in all honesty this is the first time that this has come to my attention from a legal standpoint. The Office of General Counsel, I do not believe, was asked nor offered an opinion. But I can certainly go back and look at it and submit to you in writing a policy stand.

Senator REED. I understand that, you know, as someone awaiting appointment to the job, all these details might not be immediately available. But as you go forward, this is a situation that happens all too often, where legislative proposals are made, effectively rejected, and suddenly there is an administrative policy. I would hope you would be very sensitive to the effect that has and also whether or not it would be your advice to do that.

Mr. COUCH. Yes, sir, I will be very sensitive to that.

Senator REED. Well, excuse me. You are currently acting, so that you were not consulted?

Mr. COUCH. No, sir, I was not.

Senator REED. That might be another thing you could bring up with the Secretary. Why weren't you consulted? I would think that would call for a legal, if not opinion, at least some informal advice about the propriety of doing that.

Mr. COUCH. Normally, yes, Senator, I think you would be correct. In this case, I do not know what the timing was of that particular issue. It may have preceded my involvement with the Office of General Counsel.

Senator REED. And let me raise another issue that is somewhat analogous, and that is, in the 2006 Appropriations Act, Congress

directed HUD to extend moving-to-work contracts that were expiring that year for a period of 3 additional years. Now we understand that HUD may soon be offering all MTW agencies 10-year contract extensions. And, again, taking those actions seems to be contradictory to what legislatively we were proposing. And this is an area that we very well might be examining in the next several months in Congress.

It raises the question of what is the legal basis for the 10-year contract extension. Do you have an ability to comment on that?

Mr. COUCH. No, sir. This is, once again, an issue that I am unaware of. To the best of my knowledge, under the legislation there would not be a restriction in extending the contract for a longer period of time, but I would have to go back and do the research.

Senator REED. Well, thank you, Mr. Couch. I have had the opportunity to work with you and you bring a superb background to a very challenging job. I look forward to going forward to working with you. But, again, there is a certain sensitivity to administrative actions that appear, at least on the surface, to contradict the specific intent of the Congress, and we should be sensitive to that.

Mr. COUCH. I pledge to you, Chairman Reed, to be sensitive to that issue.

Senator REED. Thank you, Mr. Couch.

Mr. Tankersley, again, you are the first Inspector General of the Export-Import Bank, if you are confirmed, and I am just curious. How do you see this new role? You have really the ability to kind of write the script, if you will.

Mr. TANKERSLEY. It is a unique opportunity to do that. I have taken the opportunity to, you know, read the Inspector Generals Act, and there is a wealth of material available among the Inspector General community. I had a chance to speak to at least one of them about their views of how to startup an office. The Inspector Generals have only been in business since, I believe, 1978, so it is still within living memory of most agencies, the work they had to do to get one in place.

The Export-Import Bank is a little bit unusual when you look at the range of Inspector Generals. It is much closer to a private sector financial institution than an agency that makes regulations or distributes grants, and because it is in the business of, you know, putting money out and bringing it back and assisting business, my preliminary thoughts are that something closer to what you would find in a well-run compliance function of an international financial institution is what will be called for. And I am expecting, if confirmed, to approach it in that way, which would be to analyze where the risks are in the agency, both financial fraud risks as well as policy compliance risks, and address those constructively as they appear, including with input from this Committee in the areas of policy implementation, particularly that the members and the staff are concerned about.

I have not wanted to get ahead of myself, anticipating this hearing and the confirmation process to come, but assuming things go well, you can expect I am going to be spending quite a lot of time working up the learning curve and developing that function.

Perhaps the one piece of advice I got that was the most interesting from a fellow who is serving as a compliance officer for an

international financial institution, he said, "Well, how many people work at the agency?" And I said, "About 400." He said, "Well, that is a good number to have in your compliance group." He emphasized that it really is the responsibility of everybody at the agency to carry forward the objectives of the Office of IG, and I think I am looking forward to my role of helping them do things that they are already doing.

Senator REED. One of the things that strikes me about Inspector Generals—and this comes more from my experience in the military—is that the executive you work with is not your client. In fact, sometimes you have to tell him or her some very difficult facts and truths. The real client is the public, and to maintain not only organizationally but also kind of intellectually that separation is challenging. I am sure you have thought about that.

Mr. TANKERSLEY. It is something I have thought about. My father was an auditor his entire career, very highly regarded among his clients. I think my partners would tell you that I am perhaps more independently minded than I need to be sometimes. And so I think I am prepared to engage in the intellectual and the emotional aspects of balancing that independence, and delivering difficult news at times if that is what needs to happen.

I will say my impression from speaking with Chairman Lambright and with General Counsel Schweitzer is that they are very mature, confident people, and their attitude expressed to me is that if there is a problem, we want to be the first to know about it and we want to be the first on the job to fix it. And I think with that attitude, the job of the Inspector General should be not overly difficult to implement.

Senator REED. Thank you very much, Mr. Tankersley.

Senator Casey, if you have questions.

Senator CASEY. Yes, thank you, Mr. Chairman.

I wanted to follow up on that, Mr. Tankersley, the question of the role you play and the independence that you must exercise. I was happy to hear what you just said. I had a position, an elected position, in State government in Harrisburg, Pennsylvania, by the name of Auditor General. In some States it is called State Auditor. But that is a position where you have to maintain independence, and I was struck by—and I was not here for the testimony you provided initially, but I was reading your statement where it says in part, on page 2, "Preventing fraud, waste, and abuse and promoting economy, effectiveness, and efficiency." It is music to the ears of any auditor, but also to, I think, the public. And it is a significant responsibility that you will take on upon confirmation, and I know you will discharge that with the integrity you have brought to your other work. But it is very important because the one thing that crumbles very quickly in a public agency or in an administration or any public office or agency, if trust takes a hit, almost like a piece of China dropping on the ground, you cannot recover. And I think you have a significant responsibility that you are taking on, and I appreciate you doing that. It is critically important.

I know we are limited on time, but I did want to move to Mr. Nason with regard to Treasury. I was looking at your statement as well, and at the bottom of the page 1, when you are talking about some of the responsibilities that you would have, you list carrying

out the responsibilities relating to financial institutions' policy, critical infrastructure protection, and financial education. We could talk a long time about all of those, but financial education especially in this era not just of complex financing arrangements or in some cases schemes, but also in the context of this predatory lending mess and scandal that we have seen across the country about which we need to have a lot of crackdowns, and maybe some cracked heads—figuratively speaking, of course. But I think financial education is going to be critically important in that dynamic for consumers who—and it could happen to any one of us, and those of us who talk about this cannot talk about it in a pejorative way, that somehow there are people out there who do not understand what they are doing and we here in Washington have to help them. That is pejorative. This could happen to any one of us, what we have seen.

But I want to have you talk for a couple of minutes about what your—two parts, really. First of all, what you think your job, your main job is upon confirmation, but specifically about this issue of financial education.

Mr. NASON. Thank you for that question, and I share your views about the importance of financial education. The reason that my statement had those three segments is that those are the direct lines that will report to me, so they are the three formal baskets of issues that I will have to cover if confirmed as the Assistant Secretary for Financial Institutions.

But I am very dedicated and very interested in pursuing financial education, and although this was not part of my specific job, right now my current job as the Deputy Assistant Secretary one of the more rewarding experiences I had while in my last year and a half at Treasury was on the financial education front.

Chairman Reed, I went back to the home State of Rhode Island, taught a class at Warrick Vets High School, and it was part of Treasury's outreach for "Get Smart About Credit Day." And so you go into a high school, and, you know, a bunch of teenagers, and you are trying to reach out to them and talk to them about credit card policy and debit cards. And it is hard. It is hard to talk to teenagers about this issue, and you wonder whether or not you are connecting, and I tried a variety of different techniques to connect with these individuals. And I thought I was moderately successful.

But when I came back to Washington a couple of days later, I got a stack of letters. It turns out that the kids were listening, and they had a lot of specific points and comments about some of the things that we were talking about. And I thought it was very rewarding.

So what I would like to do on financial education, if confirmed, is two things: first, I think we need to push a literacy agenda in the schools in education, and it needs to be part of the things that teachers talk about; and, second, it needs to be more part of the fabric of the workplace, because people are busy, people are over-extended. If you can get employers to participate in financial education programs on company time, show a commitment to it, then I think you will have a lot of progress on those fronts.

So those are the two areas where I think financial education would be very beneficial, and I think it would be very helpful in

terms of dealing with some of the predatory lending practices that you referred to. And I look forward to working with you and your staff on these issues, if confirmed.

Senator CASEY. Thank you.

Senator REED. Thank you very much, Senator Casey.

I would like to first commend Dr. Van Hanh and Ms. Herschkowitz because they bring extraordinary experience to this very important organization, and your work, Dr. Van Hanh, with refugees, with issues particularly affecting the rural communities, and then, Ms. Herschkowitz, your business acumen and your experiences, I think will add a lot.

Let me address the same question. Given your review of NCB activities, what would you say right now is the strength and the weakness of the operation as you approach these tasks? Dr. Van Hanh, which you please proceed?

Mr. VAN HANH. Senator, first of all, thank you very much for your remark. I would like to say that the strength as far as I see NCB is, the model that NCB offers in terms of provision of financial resources for investment to the communities, not only for just any single group of people, but for very diverse communities in need, for the elderly, for those in need of housing, education, and so on. That would be one of the strengths by itself.

The other strength is that this banking institution has managed to operate first-class activities and programs that clearly have quality of services provided to the underserved.

Adding to that remark, my view is that not necessarily in terms of weaknesses but in terms of effectively meeting the needs of the low-income population, I would like to mention that the low-income population here in my view would constitute not only the low-income in any ethnic group, but it covers all of the minorities as well as any groups that would need financial assistance.

The problem I could see is that there is a challenge ahead of us to look into the real needs of certain communities in areas whereby income distribution may not be at optimum as there is a considerable level of disparity in income, and the access to investment capital may not be currently available to all.

So matching the supply, which is an excellent model of banking services by NCB, and the demand from the local folks especially where the needs are unmet in certain communities. I would like to see the opportunity and the challenge to bring the two together.

Senator REED. Thank you very much, Doctor.

And, Ms. Herschkowitz, your assessment after reviewing the goals, objectives, and programs, the strengths and weaknesses?

Ms. HERSCHKOWITZ. Yes, what strikes me with the National Cooperative Bank is—and I think particularly as you start having the big-box stores and other larger commercial entities move into communities, and you sort of see the small business decimated, I think the big strength of NCB is the opportunity to be able to utilize a cooperative to get small businesses to band together not only to survive but compete against the larger stores. I think the opportunity and probably what I could bring to the table with my entrepreneurial background is there is a huge opportunity to exploit this even further in terms of it is a large-scale, untapped opportunity in my view. They do an awful lot of business. They do millions of

dollars. But I think compared to the whole small business economy, there is a huge opportunity there to help them to be able to compete.

Senator REED. Thank you.

Senator Casey, do you have additional questions?

Senator CASEY. Just by way of conclusion, Senator, I want to thank you for bringing us together today for this hearing, and thank everyone who testified today, and also to not only wish you luck on your confirmations, but also to thank you for your willingness to serve. It is not easy to serve in any governmental position, and we appreciate you putting yourselves forward and bringing your talents and your experiences to these important offices.

Thank you very much.

Senator REED. Thank you, Senator Casey.

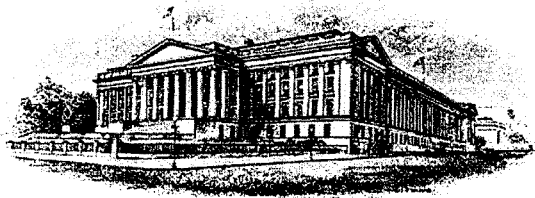
Let me associate myself with your remarks, Senator, and thank you all for your commitment to public service, your demonstrated commitment already to public service, and for your excellent testimony and response today.

Let me again remind you that some of my colleagues may submit written questions, and we ask you to respond to these questions as promptly as possible in order that we may proceed further with your nomination. There is a certain self-interest in responding.

The witnesses are excused, and the hearing is now adjourned. Thank you.

[Whereupon, at 4:20 p.m., the hearing was adjourned.]

[Prepared statements and response to written questions supplied for the record follow:]



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 3:00 p.m., May 10, 2007
CONTACT Jennifer Zuccarelli, (202) 622-8657

**STATEMENT OF DAVID G. NASON
NOMINEE FOR ASSISTANT SECRETARY FOR FINANCIAL INSTITUTIONS
AND TO BE A MEMBER OF THE BOARD OF DIRECTORS
FOR THE NATIONAL CONSUMER COOPERATIVE BANK
U.S. TREASURY DEPARTMENT
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS**

WASHINGTON, D.C.- Chairman Reed, Ranking Member Shelby and members of the Committee, thank you for inviting me to appear before you today.

I am grateful to President Bush and Secretary Paulson for their trust and confidence in me. I am honored to be here today as the President's nominee to be Assistant Secretary for Financial Institutions at the Treasury Department and to be a member of the Board of Directors for the National Consumer Cooperative Bank, an organization established to serve the needs of underserved communities across the nation.

I would like to thank my family for their unyielding support of my decision to continue in public service. I'd like to introduce my wife, Nicole, my best friend and closest adviser, who is also a dedicated public servant, and our daughters, Alexandra, 6, and Abigail, 2. My parents George and Ann Nason are also here today. Aside from being very supportive parents, they are two of the greatest grandparents in the world.

If confirmed, I look forward to working with Secretary Paulson, Under Secretary Steel and the rest of the Treasury team, along with others in the Administration and Congress, on a variety of important issues impacting our financial institutions.

In my current role as Deputy Assistant Secretary for Financial Institutions Policy, I have had the opportunity to engage on numerous important issues that affect our capital markets and financial institutions, including Treasury's position on banking and insurance regulation and before the President's Working Group on Financial Markets, chaired by Secretary Paulson.

If confirmed, I will work constructively in my role as Assistant Secretary for Financial Institutions to ensure that the Department faithfully carries out its responsibilities related to financial institutions policy, critical infrastructure protection, and financial education. These topics are diverse, complex, and have a direct impact on the lives of Americans.

The legal and regulatory structure imposed on our financial institutions must guard against systemic risk, protect consumers and enhance their confidence. If confirmed, I will help Secretary Paulson shape and implement his agenda on capital markets competitiveness. I share the Secretary's view that robust and vibrant capital markets are directly tied to future economic prosperity for all Americans.

I believe that my prior professional experience has prepared me for this important responsibility. Before coming to Treasury, I served for three years at the Securities and Exchange Commission as counsel to a commissioner. I was there at a critical moment in the SEC's history – when the agency implemented the Sarbanes-Oxley Act of 2002, the most comprehensive piece of securities legislation in decades. My experience there has contributed significantly in preparing me for this next challenge at the Treasury Department. Prior to the SEC, I spent six years in the private sector as an attorney at Covington & Burling where I focused on securities offerings, mergers and acquisitions, and federal tax planning.

If confirmed, I would seek to ensure a constructive dialogue with members of Congress and their staffs. I appreciate the time that members of this Committee have taken to consider my nomination, and I would be happy to answer any questions.

Statement
Mr. Mario Mancuso
Under Secretary of Commerce for Export Administration-Designate
Senate Committee on Banking, Housing and Urban Affairs
May 10, 2007

Chairman Dodd, Senator Shelby, and other distinguished members of this Committee:

It is a great honor to be before you today as the President's nominee to be Under Secretary of Commerce for Export Administration. I want to thank the President and Secretary Gutierrez for their trust and confidence in me, and for the privilege to be considered to lead, and serve alongside, the talented men and women of the Bureau of Industry and Security.

I would also like to thank my wife, Leesa Klepper, and our daughter, Maia, for their love and support, and my family and friends who are here with me today.

Finally, I want to thank you and your respective staffs. I appreciate the time you have taken to meet with me and to share your perspectives on the issues facing the Bureau of Industry and Security. I look forward, if confirmed, to working closely with you and them in the future.

In late summer 2001, I was in the private sector practicing corporate law at a leading law firm, much as I had done for the better part of the previous decade. I represented U.S. companies and investment banks as they made their way in a competitive, fast-moving, and dynamic new international business environment. It was the best of times. Then 9/11 happened— and everything changed.

Soon after Johnny Mike Spann, a friend and jump school classmate, was identified as the first combat fatality in Afghanistan, I volunteered to serve a combat tour as a mobilized reservist. Despite my best efforts, I did not have the opportunity to serve in Afghanistan. However, I would later have the great privilege of leading U.S. troops in *Operation Iraqi Freedom*.

The personal details of my service, however, are less important than the lesson I learned in Iraq and as a senior official in the Department of Defense: that is, while we are fortunate to have the world's most vaunted military, national security does not rest upon our military power alone. Instead, our national security depends upon preserving our military capabilities and advantages and integrating these with *all* of the elements of our national power, including the economic power of U.S. workers and companies.

As this Committee knows well, the Bureau of Industry and Security (BIS) advances U.S. national security, foreign policy, and economic objectives by ensuring an efficient and effective dual-use export control system and by promoting continued U.S. strategic technology leadership. While this mandate encompasses a variety of important activities, BIS's core mission is to keep sensitive dual-use items away from dangerous countries, organizations (like Al Qaeda) and individuals in a manner that preserves the innovative and productive capacity of American industry.

BIS uses two primary tools to do this: issuing regulations and enforcing them. These functions are synergistic and both are vitally important. If confirmed, I will work diligently to ensure that these tools are used fully and judiciously. If confirmed, I will also work with this

Committee in support of the reauthorization of the Export Administration Act, pending long-term fundamental reform of the dual-use export control system.

While export controls are not new, applying them wisely is more challenging today than in previous years in light of dramatic changes in the global economy and the international system.

For many years, the unrivaled position of the U.S. as the economic and technology leader of the world made it possible for the U.S. to generally administer export controls without the need to give equal weight to the economic trade-offs of reduced exports, particularly since our closest competitors were also our allies, and they agreed with export controls designed to prevent sensitive items from reaching the Soviet Union or its satellites. Today, given dramatic changes in the global economy and the international system, investment capital, technology, and intellectual talent are more widely distributed, while national perceptions of security risk are no longer universally shared. In light of these tectonic changes, the decisions BIS makes every day affect the bottom-line of U.S. workers and companies. If confirmed, I will never forget that. Moreover, I will use my executive experience in the private and public-sectors to help U.S. businesses sell their products internationally, create jobs for U.S. workers, and enhance our national security.

As a former corporate lawyer and venture fund executive, I fully appreciate the fundamental importance of having a vibrant, resilient, and innovative economy. A strong industrial base and healthy export markets create jobs in our country and generate resources for research and development, which fuels innovation. And, in light of the relationship between healthy

export markets, R&D spending, and technology innovation on the one hand, and the increasing importance of cutting-edge commercial technologies to our military on the other, healthy export markets are not just important for workers and companies, but great for our country and its security.

Should I be confirmed, I will take a multi-faceted approach to export controls and energetically strive to make our controls as targeted and multi-lateral as possible. In every instance, I will seek maximum possible input from this Committee, interested members of the executive branch, and industry to ensure that our export control system is smart, efficient and effective and takes into account the real, bottom-line impacts on U.S. workers and companies.

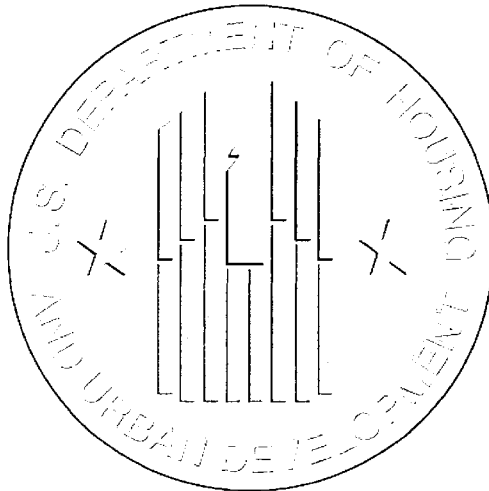
Mr. Chairman, thank you for this hearing and for your consideration of my nomination. I would be delighted to answer your questions.

STATEMENT OF ROBERT M. COUCH

Nominee to serve as General Counsel
U.S. Department of Housing and Urban Development

Hearing before the Committee on Banking, Housing and Urban
Development

United States Senate



MAY 10, 2007

Chairman Dodd, Ranking Member Shelby, and distinguished members of the Committee, I want to thank you for the opportunity to appear before you today. And thank you to all of the staff who met with me over the last month. Those meetings have helped me gain important insights into the position for which I have been nominated.

I would also like to express my sincere appreciation to President Bush and Secretary Jackson for their confidence in asking me to not only be part of the Administration, but to have the confidence in me to serve as both the President of Ginnie Mae and as HUD's Acting General Counsel. I am certainly honored to be nominated to serve as the General Counsel of HUD.

If my appearance seems like *déjà vu* to some of you, it was a little more than a year ago that I came before this very Committee as the nominee to serve as President of Ginnie Mae. I appreciate the confidence you put in me then, and I can assure you that, over the last year, Ginnie Mae has continued to fulfill its mission of expanding access to affordable housing in America by linking the global capital markets to the nation's housing markets. I am grateful for the trust the United States Senate placed in me when I was confirmed last year. Since then, I have been extremely impressed with the professional staff of Ginnie Mae and I strongly believe the organization will continue to be successful and effective in meeting its goals.

Today, I come before you as the nominee for the position of General Counsel of HUD. Just this past weekend, I was in Lexington, Virginia celebrating my 25th law school reunion at Washington and Lee University. Since I graduated, I have been grateful for the opportunities I have had both as a lawyer and as a banker, and I believe my previous occupations have provided me with the skills necessary to serve as HUD's chief legal officer. In addition, I have served as the Acting General Counsel for approximately 6 months now, and I have become very familiar with the operations of the agency and the Office of General Counsel.

The Office of General Counsel is a legal organization of approximately 400 attorneys with offices spread throughout the nation. I have already visited several of our regional offices and have gotten to know many of the very talented and dedicated attorneys in the field and at Headquarters here in Washington, D.C. Let me just say that I have been extremely impressed.

If confirmed, I am committed to working with our clients within the agency to provide the best legal counsel possible to further HUD's mission: to increase homeownership, support community development, and increase access to affordable housing free from discrimination.

I would also like to thank my wife, Anne, who is here today and my family for the love and support they have given me, especially during the move from Birmingham to Washington. This has been a challenging, exciting, and rewarding time for me and for them as well.

Mr. Chairman, I am very appreciative of the trust that the President and Secretary Jackson have placed in me by nominating me for the post of General Counsel. And I am also grateful for the Banking Committee's consideration today.

I would be pleased to answer any questions you might have.

Mr. Michael W. Tankersley
 Inspector General - Designate
 Export-Import Bank of the United States
 Before the Committee on Senate Banking, Housing and Urban Affairs
 United States Senate
 3:00 p.m., Thursday, May 10, 2007 - Dirksen 538

Mr. Chairman, Senator Shelby, distinguished Members of this Committee. I am Mike Tankersley of Dallas, Texas. It is an honor to appear before you today as the President's nominee to become the first Inspector General at the Export-Import Bank of the United States.

I come before you today having spent the past twenty-five years as a practicing attorney, working for clients that have included numerous small and growing businesses, publicly held companies and banks and insurance companies. Most have been U.S. based, some have been foreign. I have helped these clients in a variety of commercial transactions, including lending transactions, in raising capital and in addressing their legal compliance challenges. In recent years I have spent considerable time advising boards on governance matters, responding to the demands of the Sarbanes-Oxley Act and guiding them through special investigations into allegations of fraud or illegality.

Before graduating from the law school at the University of Texas, I received my undergraduate degree from Rice University in economics, and a masters degree in accounting. The business school at Rice is named for Jesse Jones, a fellow Texan who was the second chairman of the Export-Import Bank and President Roosevelt's closest advisor on matters of business and finance during the Great Depression. I held a CPA certificate for a number of years, and while I don't present myself as an expert in accounting, my knowledge of auditing and accounting has proven valuable to my clients as they have confronted complex situations involving business, law and accounting issues. If confirmed, I expect it will prove valuable for my service as inspector general.

My investigation of the Export-Import Bank since my nomination has confirmed that it is a well regarded agency here and abroad, and that its leadership and staff are highly expert and motivated to carry out the Bank's mission and the policy directives of Congress as reflected in the Bank's authorizing statute. The Bank's reauthorization in the final days of the last Congress is a testament to the regard and bi-partisan support the Bank enjoys, with this Committee and the Congress as a whole. My conversations with Chairman Lambright and General Counsel Schweitzer have confirmed that they are supportive of the job that I will be doing, if confirmed, and that they are looking forward to working together to advance the quality and responsiveness of the Bank's compliance and other functions that I would be responsible for.

The opportunity to serve as the first Inspector General at the Export-Import Bank represents a unique chance to bring together all of my varied experiences and training to create a new, and very important, function for the Bank. I am comfortable maintaining the degree of independence that the position of Inspector General calls for. At the same

time, I hope, if confirmed, to be the sort of approachable Inspector General that I have been counseled is often the most effective.

I believe my background is a good fit with the varied responsibilities of this position as an independent voice in the agency, with responsibility for audits and investigations and charged with responsibility for preventing fraud, waste and abuse and promoting economy, effectiveness and efficiency. If confirmed, I will particularly look forward to the opportunity to serve as an independent point of communication with this Committee and with other interested members of Congress.

I am grateful that the President has offered me this opportunity to serve our nation. I considered public service as an alternative to private law practice back in 1980 when I graduated from law school, and I have since harbored a lingering regret that I did not pursue a position in government at that time. My family, friends and loved ones have been very supportive of my decision to seek out this opportunity, and if confirmed, I expect that will continue as I move to Washington D.C.

Thank you for considering my nomination today. If you have any questions for me today or in the future, I will be happy to answer them.

**Testimony of Nguyen Van Hanh
Faculty Member
California State University, Sacramento**

On

**Nomination to the Board of Directors of
The National Consumer Cooperative Bank**

Before the

Committee on Banking, Housing and Urban Affairs

United States Senate

May 10, 2007

Chairman Dodd, Ranking Member Shelby, and distinguished Members of the Committee, I am honored to appear here today as a nominee to become a member of the Board of Directors of the National Consumer Cooperative Bank.

Mr. Chairman, I am here because I believe my combined experience as an economic development professional and a community leader is consistent with the mission of the National Consumer Cooperative Bank, also known as NCB. NCB was established to serve the needs of the underserved communities across the nation, primarily through user-owned cooperatives. From its founding and continuing through today, an important element of its mission has been assisting low-income persons and communities. The objective of NCB is also the focus of my career and personal commitment during the past four decades, as I strongly believe in the potential entrepreneurial talent of many among the underserved, and low-income people deserve an opportunity to advance themselves and contribute to our society.

I was born in Vietnam, and I was naturalized as a U.S. citizen. My professional experience includes many years of working with refugee and low-income populations. Currently I am teaching economics at the California State University, Sacramento (CSUS) and working on international programs in financial education as an Affiliate Professor at George Mason University. I received my Ph.D. degree in economics from the University of California, Davis.

In late 1970's, when thousands of refugees from Southeast Asia arrived in the U.S., I served as Director of the California Refugee Program. For six years, my responsibilities gave me the opportunity to learn first-hand the severe financial needs and other difficulties facing the newcomers, who had lost everything in their pursuit of freedom in America. In response to the hardships experienced by my fellow countrymen from Vietnam and other newly arriving refugees, I helped found the Bach-Viet Association, Inc. in collaboration with a group of local community leaders to provide socio-economic assistance to Southeast Asian and Russian refugees. I was elected to serve as the first President of this community-based association during 1983-85. This non-profit organization is still in operation today, helping refugees and minorities in Sacramento.

My work continued in the subsequent years at the national level during 1991-1993, when I served as Deputy Director of the Office of Refugee Resettlement in Washington, D.C. My focus was on providing financial and socioeconomic assistance to promote self-sufficiency and adaptation of hundreds of thousands of low-income New Americans nationwide. A micro-enterprise loan program was established in 1991 to provide seed money for start-up businesses by disadvantaged entrepreneurs who could not access financial resources from traditional banking institutions. The refugees, immigrants, and minorities shared the same common barriers in gaining access to investment capital, as they were often perceived collectively as high-risk borrowers, without track records and collateral. Indeed, many non-profit organizations serving the low-income population and communities

voiced their concerns and frustration as the diverse communities continued to struggle for economic independence and an opportunity to contribute to our society.

Most recently, from 2001 to early 2006, as Director of the Office of Refugee Resettlement (ORR), I had the unique opportunity to expand existing programs and to initiate new ones to address the financial needs of the growing communities. For example, funds were allocated for the micro-enterprise and the Individual Development Account (IDA) programs, as well as the newly established Refugee Rural Initiative.

These programs, supported by other social assistance efforts, have helped tens of thousands of low-income people to build assets for their new businesses and improved their technical training, health care services, and economic self-sufficiency. Annual reports from ORR to Congress during 2001-2005 discussed the benefits of these programs to a large number of low-income New Americans, in partnership with community-based organizations, local financial institutions, resettlement agencies, and State governments. For example, during 2004 alone, the Micro enterprise Development Program under my responsibility operated 29 projects in 20 States across the country.

The program assisted 54 non-profit self-help groups and other grantees from rural and urban areas with high concentrations of low-income people with about

\$5.8 million to provide direct loans and technical assistance to diverse participant groups.

Through an innovative asset –building mechanism for business development, my office also managed the IDA program, providing matching funds for the modest savings made by low-income participants. The IDA program offered these entrepreneurs a path into economic mainstream and long-term financial independence. In addition, I also started a new rural initiative for agricultural small business development to provide much needed financial and technical assistance to many among the underserved in California, Wisconsin, Minnesota, North Carolina, and several other States.

Through direct engagement in these programs I became quite concerned about the widespread unmet needs of the much larger low-income population nationwide. This awareness strengthened my interest and commitment to promote access to investment capital for the underserved.

I recently became very encouraged to learn that NCB has successfully provided effective banking and financial services to many communities across the nation, the type of financial resources necessary to address the needs of the minorities I was working with.

NCB indeed represents an effective solution to the barriers experienced by communities that need comprehensive banking and financial services to engage in productive activities leading to economic growth and social stability nationwide. Being a private member-owned banking institution since December 1981, as you may know, NCB has been actively providing a wide spectrum of financial services to cooperatives and other member-owned organizations throughout the nation. These services continued to focus on the original vision and objectives of the NCB when it was first established by Congress in 1978. As our society has changed in the past few decades, emerging needs of the low-income populations have expanded. NCB has directly provided over \$3 billion in specialized lending, investments, and technical assistance to underserved communities across the country, especially benefiting those in need of help in health care, education, affordable housing and small business development. These needs are similar to those experienced by the growing population of New Americans.

Problems created by poverty in America are being addressed by innovative community lending and expert technical assistance, which has been built into NCB's non-profit affiliate NCB Capital Impact, formerly named NCB Development Corporation. NCB Capital Impact is designed to empower the underserved communities through self-help, democratic control, and community participation. In the past three years alone, NCB Capital Impact has financed over 4,700 units of affordable housing, 14,800 school seats, 8,700 affordable assisted living units for

seniors and persons with disabilities, and 2.4 million square feet of community health center space serving 350,000 patients nationwide.

NCB established an innovative lending program for a number of regional charter schools in the Mid-Atlantic States, Georgia, Florida, Wisconsin, Minnesota, and California for construction and new facility acquisition in partnership with the U.S. Department of Education and the California School Association.

NCB's new affordable cooperative homeownership has developed over 1,600 affordable housing units in partnership with the City of New York and community-based developers. NCB has also actively assisted low-income seniors and persons with disabilities over the past decade through its community development and lending programs. Initiatives by NCB produced a supply of affordable assisted living in 13 states currently in service that may not have materialized otherwise, as well as the long-term care facilities for 106 assisted living residences in operation and development, all so vital to many low-income groups.

Being trained as an economist, with extensive experience working with the low-income communities, I believe I am qualified to serve on the Board of Directors of NCB.

If confirmed, I intend to promote the best practices of NCB in developing access to investment capital and financial services for the low-income to expand the

partnership between the cooperative banking sector and the communities across the nation, and to make a substantive contribution to the Board of Directors of NCB.

Your consideration is very much appreciated. Thank you for the honor to be here. Allow me to respond to any questions you may have at this time.

Testimony of Janis Herschkowitz

**President and Chief Executive Officer
PRL, Inc.
Cornwall, Pennsylvania**

On

**Nomination to the Board of Directors of
The National Consumer Cooperative Bank**

Before the

**Committee on Banking, Housing and
Urban Affairs**

United States Senate

May 10, 2007

Chairman Dodd, Ranking Member Shelby, and distinguished Members of the Committee, I am honored to appear before you today on my nomination as the Small Business representative to the Board of Directors of the National Consumer Cooperative Bank.

Mr. Chairman, before I get started I would like to introduce my mother, Barbara Herschkowitz, my sister, Pat Herschkowitz, and my significant other, LTC Wallace Vitez, who are all here today.

I am President and CEO of PRL, Inc., which consists of four small manufacturing companies located in Lebanon county Pennsylvania. I became President of PRL in 1989 upon the death of my father. Prior to joining the company, I was financial manager of the Magnetics Division of Zenith Electronics Corporation. PRL's facilities include:

Regal Cast—A foundry, which opened in 1989

PRL Industries—A metals upgrading facility

Brenner Machine Shop—A conventional machine shop

LTC, Inc.—A CNC machine shop

Despite the fact we only have 122 employees, PRL is a proud supplier of high specification castings for many industries. As an example we manufacture pumps and valve bodies, which are currently used in nuclear submarines and power plants around the world. We have a highly skilled labor force, feel we have the most

vertically integrated foundry in the country, and play a critical role in our nation's defense. Our team's dedication to quality is reflected in our customer base, which includes, such important military suppliers, as Electric Boat, Northrop Grumman, and Curtiss-Wright. The motto on PRL's shop floor is, "to treat every part processed, as though it is going on the same submarine as my son."

Under my leadership, PRL has overcome many challenges, including opening a foundry, being highly leveraged while losing the majority of our customer base to defense cuts, and surviving the onslaught of foreign out sourcing. I know the stress of trying to cover cash flow, while still meeting payroll obligations. I also know what it takes to borrow money, since at the age of 29 I was able to attain a bank loan to open a foundry. The loan amount was so large that our local hometown bank couldn't cover it, so PRL had to partner with a major lending institution in Philadelphia to get the necessary financing. I understand the important role a bank can play in operating a business, and how it can turn on a dime. I also know how fostering a positive relationship with a banker, can play an integral role in overcoming obstacles. One of my proudest accomplishments is that as a small manufacturer PRL has managed to thrive in an environment where the vast majority of our competitors have been forced to close their doors.

I feel this business experience, coupled with my strong Financial and Board background, make me an ideal candidate for this position.

I have an MBA in Finance from the University of Texas, and was fortunate enough to serve as Chairman of the Business Advisory Council for The Federal Reserve Board of Philadelphia. I also have served on numerous other state and local Boards in leadership positions, including community service organizations, as well as business chambers.

In addition, I have a very diverse background and have a BA in International Relations from Penn State University. I grew up in Bolivia, and moved to the states at the age of twelve when my family decided to leave for political reasons. I also speak Spanish and started my career working in maquiladoras in Matamoras, and Juarez Mexico as a financial analyst for Zenith Electronics Corporation. This provides me with a unique perspective, which helps me to better understand other cultures, and enhances my decision-making capabilities.

However, what truly makes me particularly qualified to be a member of the Board of Directors is my newly found passion for NCB. Having undergone an extensive briefing process I now understand, NCB represents what a lending institution can accomplish when it enables people to help themselves, and is a role model of public and private sector cooperation.

As you are aware, Congress created National Consumer Cooperative Bank –or NCB – in 1978 to address the financial needs of an underserved market niche – people who join together to meet personal, social or business needs, especially in low- and

moderate-income communities by forming cooperatives. Today, the Bank provides a broad array of banking and financial services, complemented by a special focus on cooperative expansion and economic development. It's at the core of who they are and what they do.

The primary markets the Bank serves include the basic ingredients of vibrant communities – housing, education, healthcare, social services and small businesses. In the small business market, NCB leverages relationships it builds with cooperatives to provide the best possible products to its customers. For example, NCB is a SBA national preferred lender, providing almost \$30 million in loans to small businesses. In addition, the Bank is also a preferred lender to Ace Hardware, one of the largest cooperatives in the country. In fact, in the last five years alone, NCB has arranged more than \$75 million in loans for Ace member-retailers throughout the United States.

The Bank's commitment to Ace and other cooperatives serving independent retailers -- in the hardware, grocery and other industries -- is becoming even more important in today's marketplace, as these entrepreneurs look to grow their businesses in the midst of competition from the national chain stores and big box retailers. Cooperatives often make a critical difference when locally owned small businesses compete against the big boxes.

NCB's performance during 2006 illustrates its firm commitment to fulfilling the important goals of its charter to do well and to do good, with net income reaching \$19.4 million and total assets of \$1.8 billion.

NCB understands that small business is the engine that runs today's economy, and that NCB provides a mechanism for small businesses to not only survive, but also prosper. Given my business and life experiences, I feel I can play a significant role in further realizing this mission.

In closing, I would be proud to serve as a Board Member to the National Consumer Cooperative Bank, appreciate your consideration, and would welcome the opportunity to answer any questions. Thank you.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR DODD
FROM MARIO MANCUSO**

Q.1. Export Administration Act. Mr. Mancuso, Secretary of Commerce Gutierrez recently submitted to Congress a proposal for reauthorizing the Export Administration Act, which expired in 2001 and has yet to be reauthorized. Would you describe the importance of enacting this legislation and explain your specific qualifications for shepherding through U.S. efforts to improve enforcement of export controls?

A.1. Mr. Chairman, the reauthorization of the Export Administration Act (EAA) is a top priority for Secretary Gutierrez and, if I am confirmed, it will be a top priority for me. I believe the reauthorization of the EAA will enhance the Bureau of Industry and Security's (BIS) ability to perform its core mission: to keep the most sensitive dual-use items away from the most dangerous countries, organizations, and individuals.

With the EAA in lapse, BIS's enforcement authority rests upon the authorities contained in the International Emergency Economic Powers Act and certain executive orders. This legal foundation is not optimally suited to investigate, prosecute and deter violations of the EAA. As I understand the Administration's proposal, it would reauthorize the EAA for five years, provide certain enhanced authorities to BIS criminal investigators, and increase the criminal and administrative penalties for those who violate our export control laws. If confirmed, I look forward to working closely with this Committee and the Congress to see that the EAA is reauthorized.

In light of my extensive private sector experience as a corporate lawyer, my recent experience as a senior national security official, and my management and leadership experience generally, I am well-prepared to lead BIS's efforts to administer and enforce an efficient and effective dual-use export control regime.

Q.2. Irregular Warfare. Mr. Mancuso, as Deputy Assistant Secretary of Defense for Special Operations, you have overseen the "Irregular Warfare Roadmap," a strategy to apparently enlist indigenous people overseas in certain covert counter-terrorism operations. According to some accounts, these operations may now be conducted without explicit concurrence from the U.S. Chiefs of Mission in the corresponding countries. Would you explain the justification for such a policy? Were concerns raised by the State Department on behalf of Chiefs of Mission at the beginning that they were left in the dark about potentially highly controversial activities? How were concerns by State dealt with? Wouldn't such a unilaterally pursued strategy appear to harm inter-agency cooperation which is so critical for U.S. foreign policy in a variety of areas, including export controls? What are the legal ramifications of excluding the State Department from this strategy, particularly as it relates to our obligation to uphold and comply with universal norms and international law?

A.2. Mr. Chairman, I would like to affirmatively state that I believe it is essential that all organs of the U.S. government work in as close and coordinated a way as possible to achieve the policies our government may wish to pursue, whether those policies relate to counterterrorism or export controls. In most instances, our laws

require it; in every case, good government demands it. For counterterrorism operations, this close coordination between the Departments of State and Defense is absolutely critical, especially since these operations often have significant political dimensions which are best assessed by—and implicate the lawful authorities of—the Chiefs of Mission.

Sir, I want to emphasize that there are numerous authorities that clearly define the extent of a Chief of Mission's legal prerogatives, including the President's Letter of Instruction to Chiefs of Mission. In my view, any infringement of those authorities would be highly improper and counterproductive in the near-term (especially with respect to our ability to execute counterterrorism operations), but also to the long-term institutional ability of the State Department to conduct foreign policy for our country.

In my personal experience during my tenure as Deputy Assistant Secretary of Defense, there has always been close coordination and consultation between the Departments of State and Defense (and the interagency generally) on all matters, operational or otherwise, in which my office was directly involved. In the course of such close coordination and consultation, there have been occasional disagreements. Such disagreements, however, have been few in number and good faith executive branch disagreements on complex policy questions that were resolved in the ordinary course during the interagency process.

With respect to export controls, I share your view that interagency consultation is necessary. I would also respectfully suggest that, in light of the salience of export controls and the complexity of the global economy, similar cooperation and consultation must extend to all stakeholders, including industry, and to our friends and allies around the world.

Sir, in closing I would add that the Irregular Warfare Roadmap (the "Roadmap") is a capabilities-centric document, and does not touch upon the conduct of current operations, as is implied by your question. Most importantly, I did not oversee, help draft or otherwise meaningfully participate in the Roadmap. The Roadmap was a product of the Quadrennial Defense Review, which was overseen by the Deputy Secretary of Defense and the most senior members of the Department of Defense leadership. To the limited extent I was involved in the Roadmap, it was to support the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict in facilitating the implementation of the Roadmap's long-term capability development recommendations, and then only as they related to special operations forces. In September 2006, I described the Department's vision for Irregular Warfare in my testimony before the House Armed Services Committee. A copy of this testimony is respectfully attached for your information.

Q.3. Enemy Combatant Status. Mr. Mancuso, you have been widely quoted championing the Administration's "enemy combatant"/detainee policies. In an interview with an official Pentagon publication, the *American Forces Press Service* in March 2005, you voiced adamant objections both to abiding by the Geneva Conventions and to granting POW status to detainees at Guantanamo Bay. POW status is "sort of like earning 'Gold Card' status on a credit card," you said, "You have to earn it." What did you mean

by these comments? Would you agree that by ratifying the Geneva Conventions, they now have the weight of domestic law? Please explain how you interpret Common Article 3 of the Geneva Conventions and what obligations it imposes on the United States?

A.3. Mr. Chairman, I conducted two interviews in March 2005 with the *Armed Forces Press Service*, an internal Department of Defense news service, at the request of the Department of Defense's public affairs office. At the request of your staff, I previously provided to your office a copy of the public affairs guidance that I used to prepare for these interviews.

During these interviews, I was asked to describe the government's legal framework for the war on terror. I was asked these questions in my capacity as a non-political appointee, GS15 government lawyer.

I used the metaphor of a "Gold Card" to illustrate two aspects of the government's view of the operation of the Geneva Conventions: (i) that formal POW status must be conferred to an individual when certain specified criteria are met (*e.g.*, wear uniforms); and (ii) once these specified criteria are met, certain rights automatically follow—over and above dignified and humane treatment. At no time did I mean to obscure one very important point: whether formally designated a POW or not, *all* captured battlefield persons are entitled to humane and dignified treatment.

Mr. Chairman, I am a corporate lawyer by training, not a litigator and much less a public international law expert. During my almost two and a half years at the Department of Defense, I have spent the past 20 months on policy matters relating to our special operations forces, and not the very important legal issues you raise. Moreover, during my six and a half months as a staff attorney in the Office of the General Counsel of the Department of Defense from late January to mid-August 2005, I worked on legal matters unrelated to detainees. Detainee issues were (and still are) handled by a separate office within the Department of Defense.

While I do not have an informed personal opinion about either the weight of the Geneva Conventions in our domestic law or the operation of Common Article 3, I am generally aware that the U.S. Supreme Court recently addressed both of these issues in the *Hamdan* decision. It is my understanding that these issues have been settled as a matter of law. In any event, I recognize these are critically important issues for our country, and appreciate that you care a great deal about them.

Q.4. International Law. Would you explain your commitment to promoting international norms, standards and customary law in the implementation of U.S. foreign policy. How might upholding such standards actually strengthen our efforts to protect U.S. dual-use technologies from falling into the wrong hands?

A.4. Mr. Chairman, it is my belief that the U.S. should set the example for the world by adhering to international law and promoting the highest norms and standards of responsible global citizenship in all of our activities, including in the conduct of our foreign policy. I believe this approach is most consistent with our core values as a country, is critical to our ability to exercise national leadership on a wide variety of matters, including export controls,

and most likely to contribute to the peace and security of our country over the long-term.

On a professional level, I have sought to embody the same high standards in my work as a U.S. government official. And, I can personally attest, that in my dealings with senior officials from allied and partner governments throughout the world, it was their personal trust and confidence in my judgment, integrity, and leadership that secured favorable outcomes for our country, even from those governments which had sharp disagreements with certain of our policies.