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# NOMINATIONS OF: STUART A. LEVEY, JUAN C. ZARATE, AND CARIN M. BARTH

## HEARING

BEFORE THE

## COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF:

STUART A. LEVEY, OF MARYLAND, TO BE UNDER SECRETARY FOR ENFORCEMENT, U.S. DEPARTMENT OF THE TREASURY

JUAN C. ZARATE, OF CALIFORNIA, TO BE ASSISTANT SECRETARY FOR TERRORIST FINANCING, U.S. DEPARTMENT OF THE TREASURY

CARIN M. BARTH, OF TEXAS, TO BE CHIEF FINANCIAL OFFICER U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

JULY 15, 2004

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# NOMINATIONS OF:

## STUART A. LEVEY, OF MARYLAND, TO BE UNDER SECRETARY FOR ENFORCEMENT

## JUAN C. ZARATE, OF CALIFORNIA, TO BE ASSISTANT SECRETARY FOR TERRORIST FINANCING U.S. DEPARTMENT OF THE TREASURY

## CARIN M. BARTH, OF TEXAS, TO BE CHIEF EXECUTIVE OFFICER U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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**THURSDAY, JULY 15, 2004**

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

The Committee met at 2:32 p.m., in room SD–538, Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

### OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

This afternoon we will hear testimony on the nomination of Mr. Stuart Levey of Maryland to be Under Secretary of the Treasury for Enforcement; Mr. Juan Zarate, of California, to be Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes; and on the second panel, Ms. Carin M. Barth, of Texas, to be Chief Financial Officer of the Department of Housing and Urban Development.

I am glad we are holding these hearings. I know you, too, are.

The war on terrorism cannot be won without a firm grip, I believe, on the financial means by which terrorist organizations operate. Successful prosecution of that mission requires a governmental structure uniquely organized and resourced to meet the increased demands placed upon offices and individuals who, prior to September 11, 2001, focused overwhelmingly on money laundering associated with drug trafficking and other financial crimes.

The emergence of counterterrorism as a principal function of the Department of the Treasury increased its role in national security and law enforcement. It remains imperative, I believe, that these missions be executed proficiently.

The positions for which these two witnesses on our first panel have been nominated are the principal offices for carrying out the mission of combating terrorist financing as well as domestic and global money laundering schemes and other financial crimes. Among other responsibilities, they are the direct chain of command within the Department of the Treasury for ensuring oversight of the Nation's banks for compliance with the Bank Secrecy Act, about which this Committee last held a hearing on June 3. That hearing was specific to the case of Riggs Bank, its repeated failures to comply with antimoney laundering laws, and the failure of the Federal regulators to adequately enforce those laws.

These nominees are particularly well-qualified for the positions for which they have been nominated. Stuart Levey is currently Principal Associate Deputy Attorney General at the Department of Justice, a very important post, in which capacity he serves as the Attorney General's point man on coordinating the Department's counterterrorism activities, including investigations, intelligence collection, and prosecution. His responsibilities include acting as the Justice Department's representative to the National Security Council Counterterrorism Security Group.

Juan Zarate is currently the Deputy Assistant Secretary of the Treasury for the Executive Office of Terrorist Financing and Financial Crimes. He is well-known to this Committee for his role as the Treasury Department's lead office for terrorist financing. Prior to joining the Treasury Department, Mr. Zarate served in the Criminal Division, Terrorist and Violent Crimes Section of the Department of Justice.

Gentlemen, I welcome all of you here, and our second panel, as I mentioned, will be comprised of Ms. Carin Barth, the nominee to be the Chief Financial Officer at the Department of Housing and Urban Development.

But what I would like to do is recognize my colleague, Senator Cornyn, for any remarks he wants to make.

**STATEMENT OF JOHN CORNYN**
**A U.S. SENATOR FROM THE STATE OF TEXAS**

Senator CORNYN. Thank you, Chairman Shelby, for letting me introduce my friend, Carin Barth, who I know is on the second panel, but I appreciate the opportunity to come before you today to support her nomination to serve as Chief Financial Officer of the Department of Housing and Urban Development.

I have, as I said, known Carin and Todd, her husband, and her family for a number of years, and I believe the President has chosen very wisely in asking her to take on this important assignment at HUD.

Mr. Chairman, I might say, I just marvel at the number and quality of our citizens who, at great financial and personal sacrifice, agree to take on these important positions, like you are going to hear about from all these nominees. But Carin exemplifies what I am talking about. She has a distinguished professional record and is an extraordinarily active community volunteer. She is President of LB Capital, Inc., a private equity investment firm that she cofounded in 1987. In addition, she serves on the board of directors of Southwest Bank of Texas. She holds a bachelor's degree from the

University of Alabama and an MBA from the Owen Graduate School of Management at Vanderbilt.

She is Chairman of the board of Unipure Corporation and a member of the Investment Committee for the City of Houston. She is on the board of directors of the Ronald McDonald House of Houston and is a member of the Texas Tech University Board of Regents, where she chairs the committee responsible for investing the university's endowment.

Ms. Barth also serves on the Board of Trustees of the Oncology Services Endowment Foundation and the Board of Governors of the Houston Forum Club.

I asked her if she was going to have to sever all of these relationships to accept this nomination, and she said she would. And I know that the loss to these various organizations is going to be the Nation's gain with her serving in this important role.

She will be a valuable member of the team at HUD, and like many Federal agencies, HUD continues to improve its program and management performance under the President's leadership, and this is critical. Owning a home is the cornerstone of the American Dream, with the Department of Housing and Urban Development often playing a critical role in expanding homeownership opportunities for low-income families and many first-time homebuyers each year.

Thankfully, as a result of HUD's work and low interest rates, homeownership in America is at all-time high of 68.4 percent.

So, I would like to thank you for your many courtesies, Mr. Chairman, and Senator Allard and the rest of the Members, for allowing me to testify in support of this nomination. I urge the Committee to approve this nominee and very much appreciate the courtesies you have extended to me and certainly to Ms. Barth and her family.

Chairman SHELBY. Thank you, Senator.

I would note for the record that she is well-qualified and especially well-educated, being from the University of Alabama.

[Laughter.]

Senator CORNYN. I thought you would like the University of Alabama, Mr. Chairman.

Chairman SHELBY. Absolutely.

Senator Allard, do you have any opening statement?

**STATEMENT OF SENATOR WAYNE ALLARD**

Senator ALLARD. I do not. Senator Cornyn's recommendation is good enough for me.

[Laughter.]

Chairman SHELBY. Senator, thank you for your appearance. I know you have other commitments.

Senator CORNYN. I think I had better leave while I am ahead.

Chairman SHELBY. If I could get Mr. Levey and Mr. Zarate to stand and hold up your right hand, do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LEVEY. I do.

Mr. ZARATE. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate?

Mr. LEVEY. I do.

Mr. ZARATE. I do.

Chairman SHELBY. Thank you, gentlemen. We will start with you, Mr. Levey. Your written testimony will be made part of the record in its entirety, and I want to say again, you know, we held up these nominees not because you are not qualified, because we like you and we know you are qualified, and we are going to move these nominations. And as you well know, we will be working closely with you on this Committee.

Mr. Levey.

**STATEMENT OF STUART A. LEVEY, OF MARYLAND, TO BE UNDER SECRETARY FOR ENFORCEMENT U.S. DEPARTMENT OF THE TREASURY**

Mr. LEVEY. I appreciate that, sir. Thank you.

Chairman Shelby, Senator Allard, thank you for the opportunity to appear before you today. It is truly an honor for me to be here in the capacity as the nominee to be Under Secretary for Enforcement and as the proposed head of the new Office of Terrorism and Financial Intelligence at the Treasury Department. I want to thank the President and Secretary Snow for the confidence they have shown in me by selecting me for this position.

Above all, I want to thank my wife, Annette, who is here with me today——

Chairman SHELBY. Do you want to recognize them? You can do that. Take your time.

Mr. LEVEY. I would like to. And also my mother-in-law, Lotte Hamburger, who are here with me today. I want to thank them for their support and sacrifices that they have made in allowing me to pursue opportunities in public service.

I also think it is appropriate for me to thank my colleagues at the Department of Justice, especially former Deputy Attorney General Larry Thompson and my current boss, Deputy Attorney General Jim Comey, and the staff of the Deputy Attorney General's Office for all that they have taught me and their support.

During my time at the Justice Department, I have also been privileged to work with and learn from some of the Government's foremost experts on terrorist financing and money laundering. The dedicated professionals in the Criminal Division and the FBI warrant special mention. They have partnered with our U.S. Attorney's Offices around the country in developing cutting-edge criminal cases against terrorist financiers and money launderers, achieving success after success in an area that many observers considered beyond the reach of criminal law enforcement. I look forward to continuing to work with them in the Treasury Department if I am confirmed.

My experience in the last 3 years at the Justice Department makes me very mindful of the enormous responsibility that will be before me if I am confirmed. Almost every morning, I begin the day by meeting with the Attorney General, the Deputy, and the FBI Director to go over the most important terrorist threats that are facing us that day. Even after so many months of doing it, I still find

it chilling to hear about people who are scheming to kill as many of our citizens, innocent citizens, as possible. It is chilling, but it is also a motivating force. I never have to question why I am going to work and why I am doing what I am doing. There is so much at stake in the war on terror.

The financial aspect of the war on terror is critical to the overall mission. Terrorists obviously need money to operate—to train, to recruit, to travel, to communicate, and to carry out attacks. Whenever we cut off their money supply, we reduce their abilities, and force them to adopt new funding methods that are more cumbersome or risky and make them less effective. On another level, the audit trail that money leaves is often our best source of intelligence to find and disrupt terrorists. And there are times when watching where the money comes from and where it goes is more valuable than taking immediate public action to stop it. We have to adapt our strategy in each case to do whatever is best for the overall mission of preventing terror. And that is one reason why a coordinated, interagency effort is vital to our overall success.

But within that effort, the Treasury Department has a unique leadership role to play in the financial war on terror. The Treasury Department, working with other agencies around the Government, and with the support of the Congress, has made significant progress in the fight against terrorist financing since September 11. The people who have been doing that work in the Department, including Juan Zarate, are among the most dedicated and talented public servants you will find. If I am confirmed, I will be joining a very talented team.

I think that team would agree with me that there is much, much more work that needs to be done. The news in recent days reinforces that view. If I am confirmed, I hope to bring a heightened sense of urgency to the overall terrorist financing mission at the Treasury Department. We have to continue to reenergize our efforts because our enemies remain committed to killing innocent people and because there really is no longer any low-hanging fruit for us to pick in this fight.

I am aware that there are substantial challenges before us, and still, I am optimistic because of the steadfast support that Secretary Snow and Deputy Secretary Bodman have shown to the overall cause of fighting the financial war on terror. I am also heartened by the support for this mission demonstrated by the Congress and this Committee in particular. If I am confirmed, I look forward to working with you on these important issues. I look forward to your questions.

Thank you, Mr. Chairman.

Chairman SHELBY. Mr. Zarate.

**STATEMENT OF JUAN C. ZARATE, OF CALIFORNIA, TO BE ASSISTANT SECRETARY FOR TERRORIST FINANCING U.S. DEPARTMENT OF THE TREASURY**

Mr. ZARATE. Mr. Chairman, thank you very much, and Senator Allard. It is indeed an honor for me to be here today, and I thank you for your kind words earlier and your consistent support. It is a privilege certainly for me to have been nominated by the President, sir, and I thank him, Secretary Snow, and Deputy Secretary

Bodman for their confidence in nominating me for this important position.

Mr. Chairman, the positions for which Mr. Levey and I have been nominated form an important part of our country's long-term strategy in the war on terror. This Administration has waged an unprecedented campaign against terrorism and the financing that fuels horrendous acts of violence and hatred around the world. This is certainly not just an American problem born on September 11. From the railway bombings in Madrid and Moscow to the commercial center attacks in Istanbul and Casablanca, we have seen that terrorism does not discriminate among race, religion, or national origin.

Mr. Chairman, when I came to Washington as a Federal prosecutor, I was immersed quickly into the reality of the threat that al Qaeda posed to our country. Two of my most important assignments involved helping in the investigation and prosecution of those responsible for the American Embassy bombings in East Africa and for the killing of 17 of our sailors on the USS Cole.

Just days after I began work at the Treasury Department in August 2001, America awoke to the horrors of al Qaeda. As a result, our collective mission changed forever.

Since September 11, I have been charged with many others with helping drive the U.S. Government effort, certainly along with Mr. Levey, to attack the financial underpinnings of terrorism. Allow me now, Mr. Chairman to say that I will count myself privileged to work for and with Mr. Levey if we are both confirmed.

Mr. Chairman, we have achieved important successes in the mission to bankrupt terrorism. It is now certainly harder, costlier, and riskier for al Qaeda and other like-minded terror groups to raise and move money around the world. We have frozen and seized terrorist assets, exposed and dismantled known channels of funding, deterred donors, arrested key facilitators, forged an international coalition to face evolving threats, and build higher hurdles in the international financial system to prevent abuse by terrorists. These efforts have tightened the financial noose around al Qaeda's neck.

The drumbeat of our drive to disrupt terrorist financing has been constant, and, Mr. Chairman, it will continue. There are many examples of this important and steady work coming from the U.S. Government and the Treasury Department, and I think it bears mentioning just a few brief recent examples, sir.

On June 2, the United States and the Kingdom of Saudi Arabia further clamped down on terrorist funding by announcing the designation of five branches of the Saudi-based charity Al Haramain. At the same time the Saudi Government also announced the impending consolidation of their charitable sector. On June 10, we announced the designation of a key Hezbollah financier in the tri-border area of South America, along with two of his businesses. This Hezbollah treasurer had used these businesses, counterfeiting, extortion, and other financial crimes to funnel money back into Hezbollah's coffers. We continue to identify front companies and individuals who acted on behalf of Saddam Hussein and his regime in Iraq and abroad.

Since Secretary Snow launched our campaign to find and return Iraqi assets in March 2003, we have worked with our international

partners to freeze approximately $6 billion around the world and return over $2.7 billion to the Iraqi people.

Earlier this year, as you know, Mr. Chairman, the Treasury's Financial Crimes Enforcement Network, along with the Office of the Comptroller of the Currency, levied a fine of $25 million against Riggs Bank for failure to comply with the provisions of the Bank Secrecy Act. Led by the Secretary and the Deputy Secretary, this has in turn resulted in a more aggressive plan with the regulators for ensuring proper and more direct Treasury oversight in the administration of the Act. Just this morning, the Deputy Secretary publicly laid out the plan that Treasury intends to implement along with the regulators to ensure that this happens.

In May, the Secretary of the Treasury designated the Commercial Bank of Syria as a primary money laundering concern under Section 311 of the USA PATRIOT Act, a power which this Committee and Congress gave to us. As a result, the Secretary ordered the closing of their corresponding accounts because of that bank's complicity in dealing with the Hussein regime, its weak money laundering practices, and suspicions of terrorist financing through the institution.

This is but a mere snapshot of the important work that we all do and that we all accomplish every day. The need for this type of intensive and consolidated work in the long-term is why this Administration, in concert with Congress, decided to create the new Office of Terrorism and Financial Intelligence. TFI brings under one umbrella the intelligence, enforcement, diplomatic, policy and regulatory resources of the Treasury. It will allow us to at once consolidate our information and analysis, to utilize Treasury authorities to advance our national security interests, and protect our financial systems.

This is important, Mr. Chairman, because we know that we are in the midst of a real and protracted struggle against terrorism. We will continue to strengthen the financial net to protect our financial institutions from tainted capital flows, and will continue to use all of our authorities, expertise, and contacts to proceed with this mission.

Finally, Mr. Chairman, if I could, I am pleased to have with me some very close family, friends, and my dear wife, Cindy, who is my best friend and my high school sweetheart.

Chairman SHELBY. Introduce them.

Mr. ZARATE. Cindy is back there.

Chairman SHELBY. Stand up, Cindy. Thank you.

Mr. ZARATE. Directly to her right, sir, is a very close family friend who is like a brother to me, Lieutenant Colonel James Vogel.

Chairman SHELBY. Thank you.

Mr. ZARATE. Mr. Chairman, I am sorry my parents, who are in California, could not be here today, but they are very happy to know that I sit here before you.

Chairman SHELBY. Maybe they are watching this on TV.

[Laughter.]

Mr. ZARATE. Perhaps, perhaps. It has certainly been both a dream and expectation of my parents, who emigrated from Mexico and Cuba in the 1950's in search of prosperity and opportunity, that my siblings and I serve this country. And indeed, it is an

honor for them and an honor for me to be here before you, and if confirmed, I hope to continue to serve this President, the Secretary, as well as this Congress on all of these critically important issues, and I look forward to working with you and other Committees of Congress in this mission. Thank you.

Chairman SHELBY. I want to just say again at the beginning, that both of you are highly qualified for these positions, and I predict we are going to confirm as fast as possible, I mean as quickly as we can, and I commend the President on selecting you.

Now I have a number of questions.

[Laughter.]

As you know, and they are not personal to you, as you know. But they will be involved in your work.

Mr. Levey, I was a little disturbed by a recent article in the *American Banker* about the Bureau of Immigration and Customs Enforcement's Operation Cornerstone. This operation, according to the article, involves unannounced visits by ICE officials at banks ostensibly for the purpose of establishing cordial relationships and informing banks of their responsibilities. Operation Cornerstone is disturbing on two fronts. One is the apparent absence of knowledge on the part of the Federal regulators regarding the program's existence. The other is the central question of leadership over regulation of banks with respect to antimoney laundering laws.

For the Federal Deposit Insurance Corporation, which I know is not a Treasury Agency, but which is supposed to coordinate with Treasury, to be in the dark over an intrusive program involving banks over which it has regulatory jurisdiction is alarming, to say the least.

Could you tell us about your knowledge, if you have some information of this program, and what role if any that you would anticipate having in its implementation? And if confirmed—and you will be—is this the kind of program about which you would anticipate having advanced knowledge and some measure of influence over.

You want to start, Mr. Levey?

Mr. LEVEY. Yes, of course, sir.

Chairman SHELBY. Is that too much? I know it is not for you.

Mr. LEVEY. I will take a shot at it. If I do not get it all, then I am sure you will come back and tell me I did not.

Chairman SHELBY. Sure.

Mr. LEVEY. It sounds as though—I am aware of the article that you refer to, sir, and I am also aware of Operation Cornerstone generally. It sounds like there may well have been a failure of coordination, particularly with the Treasury Department, with respect to this program of——

Chairman SHELBY. Coordination is very important, is it not?

Mr. LEVEY. It absolutely is, and I do think that Operation Cornerstone, based on what I know about it, is something that does need to be coordinated well with the Treasury Department, and I know that——

Chairman SHELBY. And under your leadership it will be?

Mr. LEVEY. It will be. The Assistant Secretary who is in charge of ICE, as we call it, ICE, Michael Garcia, is an excellent public servant, and I think he would have every intention of coordinating this with me. I do think there is some valuable role for financial

investigations conducted by ICE, but these things have to be coordinated with the Treasury Department, and I fully expect they will be.

Chairman SHELBY. This morning the Department released some information pertaining to changes or refinements in how FinCEN operates, and its role as the principal administrator of the Bank Secrecy Act. One of the changes that is mandated here is increased notification to FinCEN by regulatory agencies of significant—I believe that is the term—BSA violations of deficiencies discovered during the examination process. We have had a hearing on that, the Riggs situation. What will constitute significant violations or deficiencies? Can you apply a new mode of operation to any of the recent cases of BSA violations to show how it will operate in practice. Give us a reference point.

Mr. LEVEY. Sir, I am aware of the Deputy Secretary's announcement and the plan. I think that maybe your staff or perhaps even you have been briefed on the basic parameters of the plan. The idea is to get FinCEN the information they need to see whether there is effective BSA oversight or whether there may be systemic problems that Riggs is just the tip of the iceberg of.

I think that the word "significant"—to be honest with you, sir, I do not know exactly what was meant by the word "significant," but I think what maybe the Deputy Secretary was getting at there is that there may be occasional technical violations that do not need to be reported to FinCEN, but the basic thrust of the overall program is to make sure that there is full reporting to FinCEN so FinCEN knows what is going on out there so we know whether we have got a huge problem, and until we know whether or not we have a huge problem, we cannot be confident that we are ensuring effective BSA compliance.

Chairman SHELBY. Today's release would seem to have resource implications for 2005–2006 at the latest. I chair another Committee, dealing with the funding, and we might cross here a little bit. But can you provide information or can you do it for the record on how FinCEN's budget will be affected by today's announcement? If you cannot do it now, if you can do it for the record.

Mr. LEVEY. I think that is not something I am in a position to do at this moment.

Chairman SHELBY. This Committee would not be as interested, but the Appropriations would, to try to make sure you have what you need.

Mr. LEVEY. I understand and appreciate that, sir.

Chairman SHELBY. This Committee has been critical of the Federal regulatory agencies' enforcement of the Bank Secrecy Act, as you know. The Riggs Bank, case which was referenced, was clearly the most glaring example of deficiencies in compliance and enforcement, but a number of other examples have come to our attention over the past several months, Banco Popular and Hudson United, for example. Is that right, you are familiar with those cases?

Mr. LEVEY. Yes, sir.

Chairman SHELBY. The Committee is aware of meetings the Department has had with industry since our June 3 hearing on Riggs, and with meetings internal to the Department, intended to convey a sense of urgency with respect to BSA compliance and enforce-

ment. One message that was conveyed both internally and externally, it is my hope that it was, is that Congress does not see a conceptual divide between safety and soundness and BSA compliance. I think you have to have both. Can you provide the Committee some sense of how you intend to improve the oversight of the Bank Secrecy Act? I think it is very important, because much of the culture in the banking industry and among the regulators, has—and rightly so—for a long time, been safety and soundness. But now we have that other big challenge.

Mr. Levey.

Mr. LEVEY. I understand, sir. I agree with you this is an issue of great significance. It is important both because we need to enforce these laws for their own sake, but because, frankly, we go around the world and try to tell other countries that it is not enough just to have laws on the books, but you need to enforce them, so we need to make sure we are doing our homework at home in enforcing our laws.

The examples you give are very troubling, sir, and I know that the Deputy Secretary and the Secretary feel the same way. I think the steps that they have announced are certainly a step in the right direction because it will provide FinCEN and ultimately the Secretary with the information we need to know whether or not we have a systemic problem, whether or not we have only seen the tip of the iceberg, or whether these are isolated cases. That is an important question for us to answer.

I intend to make this a top priority. In fact, I have already met with the Department's Inspector General to get the benefit of his views. The Inspector General of the Treasury has done a fair amount of work on this issue. I wanted to hear his views, and get that perspective. This is something we need to get on right away.

Chairman SHELBY. You would head, after you are confirmed, the Office of Terrorism and Financial Intelligence. Additionally, the yet-to-be-filled position of Assistant Secretary for Intelligence and Analysis would also play an important role in coordinating the Treasury Department's intelligence activities with those of the intelligence community as a whole. Could you describe for the Committee what actions you anticipate will be necessary to ensure that the Office of Assistant Secretary for Intelligence and Analysis has the kind of relationship cemented with the intelligence community that will enable it to operate efficiently and expeditiously? In other words, will a memorandum of understanding be negotiated here or what do you anticipate? You need some clear lines, do you not?

Mr. LEVEY. Yes, we do. We need to make sure that the Treasury Department is receiving all the information it needs from the intelligence community.

Chairman SHELBY. Right. And sometimes, that is not so easy.

Mr. LEVEY. I understand that, sir, and you understand that probably better than anyone, given your experience on the Intelligence Committee.

I believe that we will have an excellent experience with this office because we have gotten a great deal of support from the intelligence community in setting this up, and I think perhaps you were even on the Intelligence Committee when that was first discussed.

Also part of this is to bring to bear the information the Treasury Department already has, and put it together with the intelligence information so that we make sure it is all being done in one place, and that is the overall vision for that part of this office, which I think is something that has not been done in the past, but where we can really add value and do something new that the Treasury Department has not done before, and help us achieve our mission better.

Chairman SHELBY. Well, a lot of us believe that the job you two are undertaking is key to this fight with terrorism because it is the money. Without money, they have nothing, do they? They cannot exist very long.

Mr. LEVEY. I agree, sir.

Chairman SHELBY. Mr. Zarate, I have a few questions for you.

Mr. ZARATE. Yes, Mr. Chairman.

Chairman SHELBY. Because of your responsibility for terrorist financing and money laundering, your position entails considerable international exposure. Europe is a central focus of the Financial Action Task Force. Much of Asia, notably excluding China, belongs to the Asia-Pacific Group on Money Laundering; is that correct?

Mr. ZARATE. That is correct.

Chairman SHELBY. There has been a noticeable gap, however, in the Middle East, and to a slightly lesser extent, Africa, in the terms of regional coordination of antimoney laundering laws and enforcement. The July 6 issue of *Khaleej Times* reported that some Middle East and North African states agreed to set up a similar regional body to combat money laundering and terrorist financing.

Could you provide for the Committee, either now or for the record, your assessment of the status of the proposed Middle Eastern, entity which is a step, I have to say, in the right direction and whether the individual countries have the track records of enforcing financial crimes required to make this initiative a success. I know they are going to have to take some quantum leaps.

Mr. ZARATE. Mr. Chairman, you have identified gaps that we have actually been working on, and the body that you have identified is a FATF-style regional body for the Middle East that we have been working on with the World Bank, the FATF, and those countries for over a year now, and we hope to have that established in the fall, along with as well, a Central Asian style regional body, because that is another part of the world that has been largely ignored with respect to dealing with these issues systemically and on a regional basis.

I think the success of the FATF in dealing with these issues on a regional basis, growing so in Africa, as well with one of those regional bodies called ESAAMLG, has proven that it has been very good in terms of building up the systems, building up connectivity between the jurisdictions and having them do exactly what Mr. Levey said we try to get them to do, which is to enforce their laws, to regulate their financial institutions, and to help us do what we need to do, which is to capture tainted capital.

Chairman SHELBY. Would that involve the United States in capacity-building exercises in these countries that have never had to deal with this kind of situation before to facilitate the passage and

the enforcement of antimoney laundering laws, terrorist financing laws, and so forth?

Mr. ZARATE. Absolutely, Mr. Chairman. It will be a focus of our attention. It has been a focus. To give you a very good example, we spent quite a bit of time with Egypt, which had been listed as a noncooperative country and territory by the FATF. We worked very hard with our colleagues at the Department of Justice and State to work with the Egyptians, and the Egyptians were taken off the list given their very good progress. That is one minor example of many around the region and around the world, based on our international engagement, and that that is part of our plan.

Chairman SHELBY. Senator Allard, thanks for your indulgence.

Senator ALLARD. Thank you, Mr. Chairman.

This is a question for both of you. Have you heard of GPRA, Government Results and Procedures Act? This is an important provision in law as far as I am concerned, and the reason I think it is so important is because it sets up a format for how Members of Congress can review how well your agencies are doing. It is similar to a management by objectives procedure. So what you have to do in your agencies is to determine measurable goals, and then report to the Congress how well you do on those measurable goals. I wondered if either one of you thought what goals you are going to be setting up here.

Your agencies are now setting up their budgets for next year, and I would like to hear what your thoughts might be on measurable goals within both of your areas of interest and jurisdiction.

Mr. ZARATE. Senator Allard, first of all, I think it bears mentioning we currently have internal measures and goals that we use for the Executive Office for Terrorist Financing Financial Crimes, for OFAC, for FinCEN, the other elements that exist within Treasury that have been dealing with issues related to terrorist financing and money laundering. So those measurements already exist. We use them internally, and that——

Senator ALLARD. Let me interrupt you. I do not believe that the entire Treasury Department is in compliance with GPRA. I do not know your area but I would hope that you would also be a voice to make sure we get the whole Department under compliance because we will be asking those questions.

Mr. ZARATE. Yes, sir. One of the things we want to do, and certainly if Mr. Levey and I are confirmed we will need to do, is to sit down, given the restructuring and given the new responsibilities that this office now has, and restructure what those measurements and goals will be.

I will tell you, Senator, in all due candor, that developing measurements and quantifiables in this area is very difficult because our ultimate goal is to deter and to dismantle terrorist networks, and it is very difficult at the end of the day to determine that. It does not mean you cannot do it and it does not mean you should not try, and we certainly have, but it becomes more difficult when dealing in issues related to deterrence.

Senator ALLARD. But I do hope that you overcome those obstacles and get the job done.

Mr. ZARATE. Yes.

Senator ALLARD. Yes.

Mr. LEVEY. Absolutely, and we will do what we need to do in that respect. But just to make one point on this issue, which is that when talking about terrorist financing in particular, I think that there is some caution that we need to exercise with respect to some of the metrics or measurable goals that have been put out in the past, like how many people have been designated or how much money has been frozen, because what we do not want to have happen is to have incentives created to do things that might not be the best thing to do to disrupt the terrorist operation or cell in the long-run. So this is an area that takes a lot of hard thought, and we are committed to do that.

Senator ALLARD. And whenever you show up in front of this Committee you are going to get this question from me, see? You can plan on it.

Mr. LEVEY. Okay.

Senator ALLARD. And you will find I think that the appropriators will pay attention, and I serve on the Budget Committee. We pay close attention when we allocate dollars to the Treasury Department just how well your Department has been measuring up. So this is important, and it is important I think that you take some time and understand what we are trying to accomplish here.

The other thing that I want to address to you, Mr. Levey, you talked about you receiving information from the Central Intelligence Agency. You did not say anything about passing it over to them. You talk about pooling your resources plus theirs in some central, but do you not feel an obligation to keep them informed? And if there is a law or something that prevents you from passing your information to them, I would like to hear about that. Do you have any concerns there?

Mr. LEVEY. I do feel an obligation to keep them informed. There is no law. They will be kept informed.

Senator ALLARD. Also, Mr. Levey, originally, as Under Secretary of Treasury for Enforcement your responsibility was just the Department's law enforcement activities, and then, that is, after restructuring, that includes money laundering and terrorist finance. While I think each of these is definitely distinct, to what extent do you plan to focus on these different areas of concern as well as the other areas of the jurisdiction of enforcement?

Mr. LEVEY. I am sorry, sir. I did not——

Senator ALLARD. After a recent restructuring, money laundering and terrorist finance have been given a greater emphasis.

Mr. LEVEY. Absolutely.

Senator ALLARD. Now, how do you plan to focus on some of the other areas of concern under your jurisdiction?

Mr. LEVEY. The main thing that we are going to different I think that has not been done in the past, and what differentiates this office from what the old Office of Enforcement was at the Treasury Department is the intelligence function that we have been talking about, which is while the Treasury Department has been a member of the intelligence community, I think it is fair to say it has not been a completely full partner in it. By elevating it, creating Assistant Secretary for Intelligence, and fully integrating into the intelligence community, we will be able to do the kind of long-term strategic effort against terrorist financing that maybe we were not able

to do, or the Treasury Department was not able to do as well before that.

Senator ALLARD. This is for both of you. I hear a lot from independent bankers. I am from a small State, and the Chairman is I guess from a small State too, and they are a vital part of what happens in rural areas. There has been some concern expressed to my office about the burden of some of these laws and the impact they have on small and independent community banks. I am wondering if you would talk to me about what your thoughts are on this. Are they an area of concern that we need to watch particularly closely, or are they of lesser concern or are large banks more of an area of concern, or is there any differentiation, they all are. Share with me some of your thoughts on that.

Mr. ZARATE. Senator Allard, if I could, one of the key roles that Treasury certainly plays is balancing the enforcement obligations and regulatory obligations on the financial sector with burden imposed on the financial sector. One of the things that we have seen post-September 11 with the passage of the USA PATRIOT Act is that the extension of the antimoney laundering regime has now extended well beyond the banking industry, and is now applicable to the nonbanking financial sector.

That issue generally is of great concern to us, and we do quite a bit of outreach. We host, for example, the Bank Secrecy Act Advisory Group, which has as part of it, trade associations, small bank associations, where we talk about these very issues, where we talk about the burdens being imposed, the obligations on institutions, et cetera.

In general, what we hope to do in very short order is to provide these institutions with greater feedback with respect to how effective the regulations are and how effective the information they are providing us is. We are trying to promote e-filing, for example, to lessen the burdens on these types of institutions, and in general, incorporate them much more broadly in the overarching discussions about antimoney laundering issues.

Senator ALLARD. Mr. Levey.

Mr. LEVEY. I am afraid, sir, I do not really have anything much more to add to what Mr. Zarate said.

If I could, I feel like I might have been a little hasty in response to a prior question of yours with respect to whether there is any laws that bar the Treasury Department from sharing with the intelligence community. There are laws that deal with tax information that we might need to deal with. What I was referring to when I said there is no such law is that there is nothing that prevents Treasury generally from communicating information to the intelligence community. I just did not want to leave you with a misimpression.

Senator ALLARD. I could visualize a situation where that issue could be brought up fairly frequently by any taxpayer, whether they are a citizen or not, I guess. Do you see that as a major impediment?

Mr. LEVEY. I do not know whether it is a major impediment or not, but it is something that I think we should look at, to make sure that the national security comes first, and we take a look at whether any of these rules that govern the privacy of the tax infor-

mation would be an obstacle to pursuing a national security investigation.

Senator ALLARD. Based on your comments, I think yours and my priorities are the same. National security is first. If you run into problems in that regard, I would be interested in holding a hearing about what concerns you run into there so we fully understand this problem.

Mr. LEVEY. Absolutely, sir.

Senator ALLARD. And last question, Mr. Chairman.

The Currency Transaction Report has a threshold of $10,000, which was established 34 years ago. Do we need to change that since it was established so long ago and our economy has grown and whatnot, or raise it or increase it after we have had 34 years of experience? Again, this is an issue that was brought to my attention by a number of small banks, and I would like to hear what your comments might be.

Mr. ZARATE. Senator Allard, from my perspective, it is certainly something that we need to review and actually are talking about and thinking about. The Bank Secrecy Act Advisory Group again is another forum in which we have started to discuss this and other issues.

One of the main concerns we have with the CTR filing requirement is that it has become somewhat rote in the industry to file CTR's when, in fact, there are a number of exceptions under the law that are not taken advantage of. So one of our primary duties and, frankly, I think our number one assignment, is getting industry to understand those exceptions and to apply them. So we are not inundated with less-than-useful information.

Second, I think we need to look at that very requirement.

I would note, Senator, that one of the things we are promoting internationally is greater reporting of currency transactions, both with financial institutions and at the border, and that is something we are pushing very aggressively.

Senator ALLARD. Thank you, Mr. Chairman. I see that my time has expired.

Chairman SHELBY. Thank you, Senator.

I have a few more questions. The growth of remittance monies from individuals here in the United States to their countries of origin has been astounding. You well know this. This year alone over $30 billion will be sent abroad involving as many as 150 million separate transactions. We know that such transactions are occurring almost entirely outside what we call the traditional financial system, primarily by way of international money order, money transfer companies, such as Western Union, Moneygram, and so forth.

Mainstream financial institutions are making efforts to play a more significant role, attempting to get a piece of this huge market. These financial service companies are deepening their outreach efforts and offering integrated services for remittance customers such as account services, savings, credit and mortgage products.

But with regard to the international money transfers, are they difficult to trace, Mr. Levey, and susceptible to money laundering practices?

Mr. LEVEY. Sir, I absolutely think that they are.

Chairman SHELBY. It is a lot of money involved.

Mr. LEVEY. It is a lot of money, and it is actually one of the areas I think of concern to the Treasury Department because there is a lot of noncompliance out there with the requirement that these money service businesses register with the Treasury Department.

Chairman SHELBY. Do you need legislation in this regard or enforcement?

Mr. LEVEY. We need enforcement.

Chairman SHELBY. Are you going to lead that task force?

Mr. LEVEY. I will take a look at this and do something to make sure that this gets enforced. We have a lot of noncompliance with what is a criminal statute under the USA PATRIOT Act.

Chairman SHELBY. Would incorporating remittance transactions into the traditional financial system help to focus the Treasury's oversight and enforcement role, Mr. Zarate?

Mr. ZARATE. Mr. Chairman, I think so. And that is, in part, what the effort has been about—not only extending regulations and antimoney laundering controls——

Chairman SHELBY. We are talking about at least $30 billion. You are talking about a lot of money for nontraditional banking.

Mr. ZARATE. That is right. And one of the points the Treasury Department has been making, both domestically and internationally, is that this is a profitable venture for the banking community, and we have seen some very good results with respect to that. We have seen results not only domestically with banks taking more of this type of business, lowering their own costs, entry barriers for people, but also abroad in Southeast Asia, in Mexico, and elsewhere. So that is part of Treasury's mission and something we have been working very hard on, and it goes hand-in-hand with our regulatory function.

Chairman SHELBY. For the past year, the amount of terrorist money frozen by the U.S. Government seemed frozen at around $136 million. Recent Treasury Department statements place the number at $200 million. How much has been frozen or seized over the past year? Do you know, Mr. Levy, roughly? Do you want to furnish that for the record?

Mr. LEVEY. We can definitely furnish that for the record, but it has not been nearly as much in the last year as it was in the prior 2 years.

Chairman SHELBY. It has dropped off, has it not?

Mr. LEVEY. It absolutely has, yes, sir.

Chairman SHELBY. You all will work with us on that, for the record?

Mr. ZARATE. Yes, Mr. Chairman.

Chairman SHELBY. Mr. Zarate, I know the Joint Counterterrorist Financing Task Force in Saudi Arabia is Bureau-operated. As the Treasury Department's point man for terrorist financing, can you comment—and if you cannot herethen for the record—can you comment on the level of cooperation the United States is receiving from the Saudis. Is it better? Is it about the same? Where is it?

Is there a gap there?

Mr. ZARATE. The cooperation has been growing, and it has been exponentially——

Chairman SHELBY. Has it been growing a lot more since the attacks on their own country?

Mr. ZARATE. That is exactly right, sir. The attacks in Riyadh have certainly awoken the Saudi Government to the realities of the threat that they face. That is what helped, in fact, spur the idea of the Joint Task Force, where we actually have not only FBI, but also IRS agents on the ground in Riyadh sharing financial information.

We have a situation where there is actual real-time sharing of information for the first time at least in my knowledge between our Governments and our agents. We are not only working well with them, but we are also working very well with our Ministry of Finance and their bank regulatory agency, which has quite a bit of authority over some of these activities.

Chairman SHELBY. Are they implementing what they have been saying? Generally, there is a big difference between how people make policy and the way they implement the policy.

Mr. ZARATE. That is right, Mr. Chairman. That is something we are——

Chairman SHELBY. We know that ourselves sometimes.

Mr. ZARATE. Yes, sir. We are watching that very carefully, and we are working with the Saudis. We make very clear to them, in our bilateral discussions and publicly, that we expect them to enforce exactly what they are saying they are going to do. A very good example of that was their very important announcement on June 2 about the consolidation of their charitable sector. We want to see that happen, and we want to know how it is going to happen, and we are working with them to do just that.

Chairman SHELBY. Mr. Zarate, the General Accounting Office estimates the former regime of Saddam Hussein had skimmed as much as $10 billion from the United Nations Oil-for–Food program. There is concern that some of that money went to support terrorist organizations.

Last May, the Department of the Treasury designated the Commercial Bank of Syria as a financial institution of primary money laundering concern on the basis partly of its handling of money diverted from the Oil-for-Food program. Syria, of course, is a U.S. State Department-designated terrorist-supporting state.

What is your assessment of the degree to which money skimmed from the Oil-for-Food program went to support terrorist organizations? If you cannot get into that here, we will do it later. I am sure you have some concerns.

Mr. ZARATE. We certainly do have concerns. We know that the regime of Saddam Hussein was paying families of Palestinian suicide bombers. We know that he was housing certain terrorists in Baghdad. So there was certainly support.

In terms of the percentage, it is very hard to tell. We know that from that $10-billion estimate, we do know that he spent quite a bit of that for his pleasure palaces, his armaments and his own purposes, and we have found a good bit of it abroad. As I mentioned, we have frozen $6 billion of Iraqi-related assets and returned a good bit of that to the Iraqi people. So it is hard, in terms of breakdown.

One of the things that we are still concerned about, Mr. Chairman, is any assets that are still out there that have not been frozen that could be used to continue to fuel the insurgency or the terrorist acts that we see in Iraq on an almost daily basis.

Chairman SHELBY. You both, I know, are familiar with the UBS situation involving the Federal Reserve, the Iraqi money and so forth, where they were fined $100 million for doing business with Libya, Cuba, and Iran.

Have you looked in or will you look into any possibility a link to terrorism financing?

Mr. ZARATE. We have been working very closely, Mr. Chairman, with the Federal Reserve Bank in New York to look at any appropriate leads.

Chairman SHELBY. Anything that is appropriate.

Mr. ZARATE. And there are ongoing investigations with respect to the activity of UBS and that ECI agreement, the Extended Custodial Inventory agreement that formed the basis of the relationship with the New York Fed.

It is certainly something we are looking at. I cannot say here as to whether or not we are seeing that at this point.

Chairman SHELBY. We will meet with you at another place sometime.

Senator Allard, do you have any more questions?

Senator ALLARD. I just want to comment we have been entirely too easy on these two gentlemen.

[Laughter.]

But on the more serious note, we do think this is very important work that you are doing. I am absolutely delighted we have got these positions filled and can move forward because this is critical work to our country's security, as you are probably well aware of. And both the Chairman and I have served on the Intelligence Committee so we fully understand the implications and importance of your work.

So thank you very much for taking the time and your willingness to do that.

Chairman SHELBY. Senator Allard was saying that in jest. He knows we have not been easy on you. We respect you, and from where you are coming, and where you are going, and what you are going to do.

Senator Sarbanes asked me, he is also on the Foreign Relations Committee, he wants to keep the record open a few days. He has a number of questions for both of you in this area.

Gentlemen, we appreciate you and your families appearing today, and we will expedite these nominations, we assure you.

Thank you very much.

Mr. LEVEY. Thank you, sir.

Mr. ZARATE. Thank you, Mr. Chairman.

Chairman SHELBY. I look forward to working with you.

Thank you.

Chairman SHELBY. Our second panel will be, as we said, Ms. Carin Barth, of Texas, nominated to be Chief Financial Officer, Department of Housing and Urban Development.

Ms. Barth, welcome to the Committee. Again, we appreciate you appearing here. Before I get you to testify, I want you to stand and hold up your right hand and be sworn.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Ms. BARTH. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate in the future?

Ms. BARTH. I do.

Chairman SHELBY. Thank you. As I said earlier—I think I did. If I did, I will repeat myself—your opening statement will be made part of the record. If you want to move the afternoon on, you sum up your—you were well-introduced by our colleague Senator Cornyn. And I as noted, you are well-educated from the University of Alabama. So you have a heads-up with me. You proceed as you wish.

**STATEMENT OF CARIN M. BARTH, OF TEXAS, TO BE THE CHIEF FINANCIAL OFFICER, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Ms. BARTH. Thank you, sir. Maybe I should stop there.

Chairman Shelby, Senator Allard, and distinguished Members of the Committee, my name is Carin Barth. I thank you for inviting me to appear before you today. I know how busy this Committee is, and I very much appreciate the opportunity to appear before you. I am especially grateful that you have invited me to appear on such an expedited basis.

I would also like to thank Senator Cornyn for appearing and introducing me today. I have known and respected Senator Cornyn for a long time. I am honored that he was with us today and very much appreciate his comments.

Chairman SHELBY. If you have some family members you want to introduce, I see them.

[Laughter.]

Ms. BARTH. Most important, I want to introduce my husband Todd, and our three children—Mitchell, Wesley, and Melissa—as well as the large contingent of families and friends I have here today. You know we do everything bigger in Texas.

[Laughter.]

Ms. BARTH. I am humbled and honored to be the choice of President Bush and Secretary Jackson to serve as the chief financial officer for the U.S. Department of Housing and Urban Development. If confirmed, I look forward to being a part of the team at HUD that will work with you and your staffs to address the housing and economic development needs in our Nation's communities.

I would like to briefly talk about my background because it is an important part of why I want to be the next CFO of HUD. I grew up in Birmingham, Alabama, in a home where community service was important. My parents were very involved in the local community and set the tone for our family.

After attending the University of Alabama as an undergraduate and business school at Vanderbilt University, I took a job in Houston, Texas, in 1986, as an analyst for a firm engaged in the private

equity investment business. A year-and-a-half after joining the firm, I purchased an equity interest in and went to work for one of the firm's portfolio companies, Cain Chemical. My duties at Cain Chemical largely consisted of financial analysis of commodity prices. Occidental Petroleum purchased Cain Chemical about a year later.

In August of 1988, I left Cain Chemical and co-founded a firm called LB Capital. My partner in LB Capital, Russell Bowers, who is here, had been the president of the largest division of Cain Chemical. Russell remains my partner today in a number of ventures we run out of our Houston office. Approximately 9 years ago, my husband Todd, who had been a practicing attorney, joined us in the business.

Currently, I serve on the board of one public company, Southwest Bancorporation of Texas, which is a regional bank with nearly $6 billion in assets. I serve on the bank's Audit, Trust and Governance Committees.

During the course of my professional career, I have had the opportunity to pursue some things that I truly love. One of those things is public service, and I would like to talk about some of those opportunities.

I had the opportunity and privilege to co-found, in the early 1990's, the Zina Garrison All Court Tennis Academy. The Academy is an inner-city program for underprivileged children that provides a free, after-school activity for the children of Houston. Tennis was the hook that brought in the kids, but we taught the kids a lot more than just tennis. The program started when Zina Garrison, who you may know is a former professional tennis player from Houston, approached me with the idea and asked for help. I enlisted the help of other Houstonians, two of which are here today, and together we put the program in place. Since its inception, the organization has literally served tens of thousands of inner-city children in Houston.

I also had the opportunity and privilege of serving on the board of the Ronald McDonald House of Houston and later as president of the board. As you probably know, the Ronald McDonald House offers a home away from home for families traveling to obtain cancer treatment for their children. In Houston, where we have world-class cancer treatment facilities, the Ronald McDonald House serves a huge need in the community.

I have had the privilege of serving the City of Houston as well. I am on the board of the Houston Convention Center Hotel Corporation, which is a nonprofit corporation formed by the City of Houston to construct and then operate a 1,200-room convention center hotel in downtown Houston. I serve on the City of Houston's Investment Committee. Our committee oversees the investment of the city's short-term funds, which exceeds $2 billion.

I also serve the State of Texas as a member of the Board of Regents of Texas Tech University in Lubbock, Texas. The university has over 25,000 students and an operating budget of over $800 million. In connection with my board service at Texas Tech, I chair the Finance Committee and also chair the Investment Advisory Committee, which manages Tech's $400-million endowment.

Based on my private and public service experience, I believe I am qualified for the position of CFO for the Department of Housing and Urban Development. I have experience preparing, justifying, and monitoring budgets and strategic plans. I have helped establish, maintain, and review financial systems. I have managed assets and credit management functions. I have helped develop strong internal control programs and assisted in the production of audited financial statements. I have helped develop uniform financial management policies and procedures, and I have processed accounting transactions and payments.

My background also reflects that I sincerely love public service. When I am able to make a positive difference in the life of another human being, it makes my day. And I know that each Member of this Committee knows exactly what I am talking about. Otherwise, you would not be here.

I am deeply grateful for the confidence that President Bush and Secretary Jackson have placed in me. If confirmed, I will take the responsibilities and challenges ahead very seriously.

My husband tells me that I am blessed and cursed with the belief that I can make a difference. He is right. I believe I have the professional background and the personal drive to be successful as the Chief Financial Officer for the U.S. Department of Housing and Urban Development. I sincerely hope that you will give me that opportunity.

Mr. Chairman, Senator Allard, thank you for your consideration of my nomination and the opportunity to appear before you today. I would be pleased to answer any questions you may have.

Chairman SHELBY. Ms. Barth, I believe we are going to give you that opportunity.

[Laughter.]

I like your confidence.

I want to reference the FHA single-family program. I have to put this into context. You are not there yet, but you will be there, and I understand none of this is your problem, but it will be.

A recent GAO report identified serious internal control deficiencies in FHA's single-family and multifamily property programs and have allowed at least one contractor and possibly others to commit fraudulent activities. Such fraud, of course, we know if it is left unchecked, greatly undermines the reputation of HUD, along with potentially costing the taxpayers millions of dollars.

After you are confirmed—I predict you will be—as HUD's new CFO, when you get there in a few weeks, what immediate actions would you take to strengthen FHA's control environment and improve the Department's stewardship over taxpayer funds?

If you want to do this for the record, since you are not there yet or do you want to touch on it now?

Ms. BARTH. I really would prefer to wait and see once I get in there. I am not up-to-speed.

Chairman SHELBY. Yes, that would be fair to you, but you have still to have a plan once you get there.

Ms. BARTH. Yes, sir, I understand that.

Chairman SHELBY. Ms. Barth, I am greatly concerned that HUD's current acquisition practices leave the Department vulnerable to theft and fraud. For instance, GAO—and referencing that

again—recently reported that HUD lacked adequate supporting documentation and effective controls over its computer purchases. GAO found that HUD did not consistently report purchases or even inspect the quantity or quality of its purchases.

Are you aware of these deficiencies? And if you are not aware of them, that is one thing, and as I said, I know you are not there yet.

Ms. BARTH. I am not specifically aware with respect to the computer purchases.

Chairman SHELBY. These are serious accusations.

Ms. BARTH. Yes, sir, I understand.

Chairman SHELBY. Serious problems.

Contract monitoring. I am going to give some time to my collegue in a minute. This is an area he has a great interest in is housing.

I want to bring up another point raised by GAO. HUD, over the last 10 years or so, has been increasingly reliant on the outside contractors to perform many of its responsibilities. GAO has raised the issue of HUD's ability to effectively monitor its contractors. If you are aware of this, you can speak now; if you are not, for the record, would you detail your relevant experience in monitoring and evaluating contract performances in the private sector. In other words, how would you do the oversight of these contractors to make sure they are performing as expected? In other words, you just cannot hire somebody and turn them loose. You have to evaluate them.

Ms. BARTH. I understand that, sir.

Chairman SHELBY. You have go to evaluate them, do you not?

Ms. BARTH. Yes, sir, you do. And then after you hire them, you have to make sure that they are meeting the expectations of what they said once you hire them.

I understand, with respect to the contract monitoring, and I have added it to my list. And what I envision is just bringing some internal controls with respect to the contracts, different strategies that I have seen in the private sector in terms of a more-reporting process as we go along on these contracts.

Chairman SHELBY. Senator Allard, this is an area you know a lot about—housing.

Senator ALLARD. I do not know about that, but I appreciate the opportunity to ask a few questions.

You heard me ask the previous panel about GPRA—the Government Results and Procedures Act. And having training in financial accountability, you probably fully understand what I am talking about, where you set goals and objectives that are measurable and then look at the end of the year and see how successful you were at reaching those goals.

And I hope that you make sure that those agencies in which you are overseeing meets those requirements because we also look at it from a budget aspect, and appropriators look at it. And if you looked at this year's budget from the President, there was a section fully dedicated to how well the agencies were dedicated to meeting those goals and objectives.

HUD is one that has come to the table with their feet dragging, but I do think that they are doing a much better job than what they used to. And at one time they were rated as one, I think the

Chairman mentioned it was rated as one of the worst agencies as far as risk analysis was concerned and accountability on how they spent the taxpayer dollars. So, I think you have a huge responsibility, and you are going to walk into potentially some very big challenges.

Do you have any ideas on how you are going to enforce accountability so that, as policymakers, we can look at results and your procedures and get some idea of how well the Agency is doing?

Ms. BARTH. I have been through the GPRA information I have been sent and understand the importance of accountability and transparency and actually setting goals that one has to stand by and be accountable for. So it is my intention, if I am concerned, that I would get in there and review what has been set out first and make sure that there is accountability behind those goals.

I think the first thing I need to do is really get in there and see what goals have been set.

Senator ALLARD. Very good. And like I mentioned earlier, it is one of those areas that I hold as a top priority, and you can expect me to ask you questions on that from time-to-time.

Ms. BARTH. I understand that, sir.

Senator ALLARD. Also, HUD has had some enormously unspent balances at certain points in time. At one time, they had $108 billion of unspent balances. Now, of that, there was about, you know, you can understand if you get into a long-term project, you have unspent balances, but they are obligated.

Ms. BARTH. Yes, sir.

Senator ALLARD. But the figure that really catches my eye is that more than $12 billion of those dollars, at various times, have been unallocated. They were just sitting there. And I appreciate that this Administration has made it a priority to reduce the obligated and unspent balances. And as HUD Chief Financial Officer, what do you plan to do to help continue in this effort?

Ms. BARTH. Well, I will continue in the effort to review them and look at why the balances are unspent. At this point, I am not able to opine as to how I am going to attack it. I just need to understand, and I am getting more familiar with the issue.

Senator ALLARD. Very good. Again, that is one of those issues that I personally will be taking some interest in, too.

Now, in the private sector, a company must be consumer-focused to survive. You are aware of that. You have a——

Ms. BARTH. Yes, sir.

Senator ALLARD. —a private company that you were involved with. How important do you think a customer focus is for the public sector, and what would you do to make sure HUD identifies its customers, understands their expectations, and establishes performance goals and measures to meet these expectations consistent with their priorities? Do you have any ideas?

Ms. BARTH. I think, first and foremost, we have to understand our customer, and we also have to understand, as in the private sector, you have a budget, and you have a limited amount of money. So one needs to utilize those funds very efficiently and effectively.

So I look at, as I go forward, really taking a look at the performance within the various programs.

Senator ALLARD. I fully realize that when you are just going into the job these are tough questions for you to answer, but I want to share them with you because, as Chairman of the Subcommittee under Banking here is that it is something that we watch for, and I am sure I will not be the only one asking those questions.

I just wish you well.

Ms. BARTH. Thank you, sir.

Senator ALLARD. You have a great family there.

Ms. BARTH. Thank you.

Senator ALLARD. It is good to see all of you here.

Thank you.

Chairman SHELBY. Thank you, Senator Allard.

Ms. Barth, we want to move your nomination as quickly as possible, and we will. We appreciate your appearance here today. You have a big job ahead of you, but I think you have the energy and the background to attack it.

Ms. BARTH. Thank you, sir.

Chairman SHELBY. We will be working with you to do it.

Thank you so much.

Ms. BARTH. Thank you very much.

Chairman SHELBY. The hearing is adjourned.

[Whereupon, at 3:40 p.m., the hearing was adjourned.]

[Prepared statements and biographical sketches of the nominees supplied for the record follow:]

## PREPARED STATEMENT OF SENATOR WAYNE ALLARD

I would like to thank the Chairman for convening today's hearing. As always, I appreciate his willingness to ensure that nominees under this Committee's jurisdiction receive a prompt, fair hearing.

As Chairman of the Housing Subcommittee, I am particularly pleased that we are considering the nomination of Ms. Carin Barth to be the Chief Financial Officer of the Department of Housing and Urban Development (HUD). As I have noted at other recent hearings, I have been very concerned that this key position at HUD has remained vacant for a year. After the Secretary and Deputy Secretary, the CFO is probably the most important position at HUD.

Now that the Committee has received all the formal nomination paperwork, I am hopeful that this hearing will be the next step toward prompt confirmation. HUD has a difficult challenge, and its mission is not made easier, nor is its work more effective, when key positions remain vacant.

As I have also indicated during previous hearings, I believe HUD must focus on its core mission—to provide decent, safe, sanitary, and affordable housing. Good leadership involves a clear vision. Key HUD staff must have a clear set of performance goals in mind, as well as ways in which the Department and Congress can measure progress in achieving those goals. Additionally, it is critical to consider the long-term sustainability of any progress made at HUD.

Clear, outcome-based vision is critical for success in any agency, and the Government Performance and Results Act, or the Results Act, is a powerful tool toward that end. I would encourage all of today' s nominees to become familiar with their agency's strategic plan, annual performance plans, annual accountability reports, and financial statements. If properly utilized, they can help you achieve success in meeting your department's mission.

I would also like to welcome Mr. Levey and Mr. Zarate to the Banking Committee. Money laundering, and particularly terrorist finance, is a critical component of our war on terror, and I look forward to hearing your ideas.

Again, thank you to all of the nominees for your willingness to serve in the Government and to appear before the Committee. I look forward to working with you on issues before the Banking Committee.

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## PREPARED STATEMENT OF ORRIN G. HATCH

A. U.S. SENATOR FROM THE STATE OF UTAH

MAY 15, 2003

Mr. Chairman, Senator Sarbanes, Members of this Committee, as you know, it is a custom in the Senate that allows us to introduce nominees before committees that are usually constituents, or, in other cases, close friends. I am proud and honored to say that, while Stuart Levey is not a constituent, he is a close personal friend whose impressive career I have had to pleasure to admire since he first came to Washington.

Stuart likes to say I have known him since he became a Member of the Bar, and, in fact that is correct. A graduate of Harvard College and Harvard Law School—graduating, by the way, *summa cum laude* and *magna cum laude,* respectively—he entered private practice in here in Washington in 1990, and he quickly built a well-deserved reputation as an expert litigator on white collar crime. He served as special counsel for our former colleague, Senator Danforth, before he joined the Department of Justice.

Since September 11, we in the Congress have worked as closely as possible with President Bush to craft a national response to international sub-state terrorism. We have recognized that, in fighting and seeking to defeat this new enemy, we needed a strategic approach to monitoring, disrupting, and closing the international network of terrorism financing. Such an approach required creating authorities for the executive, and reorganizing our agency counter-terrorism structure.

Perhaps Congress' greatest contribution so far was the passage of the USA PATRIOT Act, where we created authorities to monitor financial networks. The Administration has furthered a strategic approach to terrorist financing when, earlier this year, it announced the creation of the Office of Terrorism and Financial Intelligence, with a new Under Secretary at the Department of Treasury. I commend the President for nominating Stuart Levey to fill this position.

And I thank the Chairman and Ranking Minority Member of this Committee for expediting the nomination of the President's choice to fill this position. Stuart Levey has the knowledge, experience, and character to fill this post. I believe Stuart un-

derstands the strategic requirements for integrating intelligence analysis with enforcement, as well as the need to build on our growing international coordination in checking and eliminating the international financial networks of terrorism. I believe that you can see, in reviewing his work as Principal Associate Deputy Attorney General, where he served Justice's coordinator with the Policy Coordinating Committee on Terrorist Financing and the NSC's Counterterrorism Security Group, that he developed in-depth knowledge of the networks we must penetrate, disrupt, and destroy, while forging the important relations within Justice, the FBI, the CIA, the State Department and Treasury that will be essential for his role in the position to which he has been nominated.

Mr. Chairman, Senator Sarbanes, I certainly do not need to explain to this Committee the imperative of disrupting international financial networks that keep terrorists funded. I thank you once again for scheduling this hearing, and I urge your favorable consideration of this nominee, as well as Mr. Zarate, and I hope for a speedy Senate confirmation so that our Government can carry on in the essential role of defeating those that would do us harm.

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## PREPARED STATEMENT OF STUART A. LEVEY

UNDER SECRETARY-DESIGNATE FOR ENFORCEMENT
U.S. DEPARTMENT OF THE TREASURY

JULY 15, 2004

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, thank you for the opportunity to appear before you today. It is truly an honor to be the nominee to serve as Under Secretary for Enforcement and as the head of the new Office of Terrorism and Financial Intelligence at the Department of the Treasury. I want to thank the President and Secretary Snow for the confidence they have shown in me by selecting me for this position.

Above all, I want to thank my wife Annette, who is the best thing in my life, for the sacrifices she has made to allow me to pursue opportunities in public service. She is the perfect wife, my best friend, a fabulous mother to our two baby daughters, and, on top of all that, a dedicated public servant at the National Institutes of Health. I would also like to thank my parents for the opportunities and support they have given me throughout my life.

I am also grateful to Attorney General Ashcroft for the opportunity he has given me to serve at the Department of Justice. I came to the Justice Department to work for Deputy Attorney General Larry Thompson, and I have continued to serve there under Jim Comey. I have handled a variety of issues in the Deputy Attorney General's Office, focusing most recently on national security and counterterrorism matters, including the Department's terrorist financing portfolio. In my current role as Principal Associate Deputy Attorney General, I serve as the Justice Department's representative to the Policy Coordinating Committee on Terrorist Financing and to the NSC's Counterterrorism Security Group. In these roles, I have established close working relationships with officials within the Department of Justice as well as in the FBI, the CIA, the State Department, and elsewhere that will be beneficial to me in my new position, if I am confirmed.

During my time at the Justice Department, I have been privileged to work with, and learn from, some of the Government's foremost experts on terrorist financing and money laundering. The dedicated prosecutors in the Criminal Division's Counterterrorism Section (CTS) and Asset Forfeiture and Money Laundering Section (AFMLS) warrant special mention here. They have partnered with our U.S. Attorney's Offices around the country in developing and bringing cutting-edge criminal cases against terrorist financiers and money launderers, achieving success after success in an arena that many observers considered to be beyond the effective reach of criminal law enforcement.

My experience at the Justice Department makes me very mindful of the enormous responsibility that will be before me, if I am confirmed. I begin almost every morning by meeting with the Attorney General, the Deputy Attorney General, the FBI Director, and other senior staff to go over the most important terrorist threats that we are facing that day, both within the United States and abroad. Even after so many months, it is still chilling to hear every morning about people who are scheming to kill as many innocent people as they possibly can. Chilling, but, in a sense, motivating too. I never question why I go to work in the morning. There is so much at stake.

The financial war on terror is critical to our overall mission to defeat terrorism. Terrorists need money to operate—to recruit, to train, to travel, to communicate, and, of course, to carry out attacks. Whenever we cut off their money supply, we reduce their present abilities and force them to adopt new funding methods that are more cumbersome or risky. On another level, the audit trail that money leaves is one of our best sources of intelligence to find and disrupt terrorists. There are times when watching where the money comes from and where it goes is more valuable than taking immediate public action to stop it. We must adapt our strategy in each circumstance to do whatever is best for the overall counterterrorism mission. That is one reason why a coordinated, interagency effort is vital to our success.

Within that coordinated effort, the Treasury Department has a unique leadership role to play in the financial war on terror. The Treasury Department, working with other agencies around the Government, and with the support of the Congress, has made significant progress in the fight against terrorist financing since September 11. The people who have been doing that work in the Department, including Juan Zarate, are among the most dedicated and talented public servants you will find. If I am confirmed, I will be joining a fantastic team.

I think that team would agree that there is much more work that needs to be done. If I am confirmed, I hope to bring a heightened sense of urgency to the terrorist financing mission at the Treasury Department. We must reenergize our efforts because our enemies remain committed to killing innocent people and our work grows more difficult as terrorists move away from known funding channels and organizations.

The overarching mission for the new Office of Terrorism and Financial Intelligence will be to ensure that the Treasury Department is fully exploiting all of its authorities, capabilities, and all of the Government's information to combat terrorist financing and financial crime. Among other things, if I am confirmed, I would strive to make better use of the tools the Congress provided in the USA PATRIOT Act and of Treasury's other enforcement powers. I also would build a new Office of Intelligence and Analysis that will exploit Treasury's own information and integrate the Department more fully into the intelligence community. And, I would press terrorist financing issues as a priority with other nations around the world whose cooperation we need if we are to succeed.

I am aware that there are substantial challenges before us. Still, I am optimistic because of the steadfast support that Secretary Snow and Deputy Secretary Bodman have already shown to the cause of fighting the financial war on terror. I am also heartened by the support for this mission demonstrated by the Congress, including this Committee. If I am confirmed, I look forward to working with you on these important issues. I am happy to answer any questions you may have.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

Stuart Alan Levey

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Stuart Alan Levey

2. Position to which nominated:
Under Secretary of the Treasury for Enforcement

3. Date of nomination:
April 8, 2004

4. Address: (List current residence, office, and mailing addresses.)
Home: 3214 Pickwick Lane
Chevy Chase, MD 20815

Office: Department of Justice
Office of the Deputy Attorney General
Room 4208
950 Pennsylvania Ave., NW
Washington, DC 20530

5. Date and place of birth:
June 3, 1963 in Akron, Ohio

6. Marital status: (Include maiden name of wife or husband's name.)
Married to Annette Cara Levey (formerly Hamburger)

7. Names and ages of children:
Josephine, age 3
Helena, age 1

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
   a. Harvard Law School (1986-89), JD 1989
   b. Harvard College (1981-86), AB 1986
   c. Hebrew University of Jerusalem (1983-84), no degree received
   d. Firestone High School, Akron, Ohio (1977-81), diploma 1981

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)
   a. Principal Associate Deputy Attorney General, Department of Justice, Washington, DC, 2003-2004
   b. Associate Deputy Attorney General and Chief of Staff, Department of Justice, Washington, DC, 2003
   c. Associate Deputy Attorney General, Department of Justice, Washington, DC, 2001-2003
   d. Partner, Baker Botts LLP, Washington DC, 2001
   e. Partner, Miller Cassidy Larroca & Lewin, LLP, Washington DC, 1996-2000
   f. Assistant Special Counsel and Special Assistant United States Attorney, Office of Special Counsel John C. Danforth (Waco), Washington DC and St. Louis, MO, 1999-2000
   g. Associate, Miller Cassidy Larroca & Lewin, LLP, Washington DC, 1990-1996
   h. Law Clerk to the Honorable Laurence H. Silberman, United States Court of Appeals for the District of Columbia Circuit, Washington DC, 1989-1990
   i. Summer Associate, Jenner & Block, Washington DC, summer 1989
   j. Summer Associate, Jenner & Block, Chicago IL, summer 1988
   k. Summer Associate, Proskauer Rose Goetz & Mendelsohn, New York NY, summer 1987
   l. Consultant, Yamaichi Securities Ltd, Tokyo Japan, spring and summer 1986

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)
    All of my government experience is listed above.

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)
    Other than legal work performed for clients while in private practice, all such relationships are listed above.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)
    I am a member of Temple Sinai Congregation, the District of Columbia Bar Association, and the Edward Bennett Williams Inn of Court. I was previously a member of the International Association of Jewish Lawyers and Jurists (IAJLJ) and served on the board of the IAJLJ American Chapter for approximately 2 years. While in private practice, I was also a member of the National Association of Criminal Defense Lawyers, the American Bar Association, and the Illinois State Bar Association. I also served on the Criminal Justice Act Panel for the U.S. District Court for the District of Columbia and the U.S. Court of Appeals for

the D.C. Circuit to undertake the representation of indigent criminal defendants. In the past, I have also been a member of the American Israeli Public Affairs Committee and the Jewish Museum.

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.
None

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
None

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

a. Kris Kobach for Congress -- $200 – 2003
b. George W. Bush for President -- $1,000 – 2000
c. Orrin Hatch Presidential Exploratory Committee -- $250 – 1999
d. Orrin Hatch Senate Campaign -- $200 – 2000
e. Mark Nielson for Congress -- $150 -- 2000
f. Joseph Barta for Congress -- $200 – 1998
g. Barry Ford for Congress -- $100 – 1998
h. Jules Polonetsky for Public Advocate -- ? – 1997 (I vaguely remember making this contribution, but I am unable to locate a record of it. The amount would not have exceeded $200.)
i. Karen Doty for State Legislature -- $100 – 1996

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

In college, I received my degree *summa cum laude* and was elected to Phi Beta Kappa. In law school, I received my degree *magna cum laude* and was selected as an editor of the Harvard Law Review.

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)
I was a co-author of a chapter entitled "The Privilege Against Self-Incrimination," published in the book Testimonial Privileges, McGraw Hill, (2d ed. 1994). I was the primary author of a case note entitled, "Standard of Scrutiny for Dealer Termination Agreements," published at 102 Harvard Law Review 297 (1988).

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)
None

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I believe that I have had a wide variety of experiences that will help me serve effectively as the Under Secretary of Treasury for Enforcement. In my current capacity as Principal Associate Deputy Attorney General (PADAG), I am the Deputy Attorney General's primary staff member with responsibility for coordinating the Justice Department's varied counter-terrorism activities, including investigations, intelligence collection and prosecutions. I also serve as the Justice Department's representative to the NSC's Counter-Terrorism Security Group, a senior interagency group chaired by the Deputy National Security Advisor for Combating Terrorism. In addition, I am often called upon to represent the Department of Justice in a variety of interagency bodies, including NSC and HSC Deputies' Committee meetings, to discuss topics related to the war on terrorism, thereby exposing me to the broad picture of what our government is doing to try to protect the American people from terrorist attacks. Through these efforts, I have also worked closely with the senior officials from other departments who are engaged in this effort and with whom I would continue to work if confirmed to this position.

The fight against terrorist financing is, of course, a vital part of this overall counter-terrorism mission. As PADAG, I monitor the significant terrorist financing investigations being handled by the Department's prosecutors and the FBI. I also serve as the Department of Justice's principal representative to the Terrorist Financing Policy Coordinating Committee (PCC). This position has offered me the opportunity to observe and discuss the efforts of the entire executive branch in combating terrorist financing, ranging from intelligence collection to diplomatic initiatives, from administrative sanctions to traditional law enforcement actions. Through my work with the PCC, I have become familiar with the exercise of administrative authority pursuant to Executive Order 13224 to freeze terrorist assets -- and the analogous processes in the UN and other international bodies -- which have given our government a flexible and powerful tool to combat terrorist financiers and facilitators since 9/11. Through the consultation process with the Justice Department mandated by law, I have also become familiar with Treasury's new and promising powers under Section 311 of the USA PATRIOT Act to impose counter-measures against financial entities or foreign nations that are a primary money laundering concern.

Finally, my direct experience in dealing with the threat of terrorism -- beginning most days with a briefing on the most pressing threats we face -- has given me a greater appreciation of the urgency of the counter-terrorism task. This perspective is crucial for the battle against terrorist financing, as this is not a fight for its own sake, but a campaign to disrupt and cripple the end-users of these funds -- the terrorists themselves.

My prior experience should be helpful to me in this position as well. I previously served in the Office of Special Counsel headed by former Senator Danforth that investigated potential government misconduct surrounding the stand-off at the Branch

Davidian compound in Waco, Texas. I also have over 10 years of experience as a lawyer in private practice where I focused on white-collar criminal matters.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.
Yes

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.
No

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.
No

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.
Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.
Any potential conflicts of interest have been identified and resolved in accordance with the terms and conditions of my ethics agreement with the Department of the Treasury, which is documented by letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.
None

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public

policy. Activities performed as an employee of the Federal government need not be listed.
None

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)
Any potential conflicts of interest have been identified and resolved in accordance with the terms and conditions of my ethics agreement with the Department of the Treasury, which is documented by letter to Kenneth Schmalzbach, Designated Agency Ethics Official and Assistant General Counsel for General Law and Ethics. Should any potential conflicts of interest arise in the future, I will consult with Treasury ethics officials.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.
No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.
No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.
No

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.
No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.
None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?
Yes

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?
Yes

## PREPARED STATEMENT OF JUAN C. ZARATE

ASSISTANT SECRETARY-DESIGNATE FOR TERRORIST FINANCING
U.S. DEPARTMENT OF THE TREASURY

JULY 15, 2004

Chairman Shelby, Ranking Member Sarbanes, and distinguished Members of this Committee, it is an honor for me to be before you today. It is a privilege to have been nominated by the President for the position of Assistant Secretary of the Treasury for Terrorist Financing, and I thank him, Secretary Snow, and Deputy Secretary Bodman for their confidence in nominating me for this important position.

Mr. Chairman, the positions for which Mr. Levey and I have been nominated form an important part of our country's long-term strategy in the war on terror. This Administration has waged an unprecedented campaign against terrorism and the financing that fuels horrendous acts of violence and hatred around the world. This is not just an American problem born on September 11. From the railway bombings of Madrid and Moscow to the commercial center attacks in Istanbul and Casablanca, we have seen that terrorism does not discriminate among race, religion, or national origin.

When I came to Washington as a Federal prosecutor, Mr. Chairman, I was immersed quickly into the reality of the threat that Al Qaeda posed to our country. One of my first assignments was to assist in the prosecution of those responsible for the American Embassy bombings in East Africa. I further confronted the unabated viciousness of Al Qaeda as a prosecutor in the investigation of the murders of 17 of our countrymen and women on the USS Cole.

Just days after I began work at the Treasury Department on August 27, 2001, our world and our collective mission changed forever.

Since September 11, I have been privileged to form part of the U.S Government effort, along with Mr. Levey, to attack the financial underpinnings of terrorism. If confirmed, I look forward to working with and for Mr. Levey more directly on issues of such national importance.

We have achieved important successes in the mission to bankrupt terrorism. It is now harder, costlier, and riskier for Al Qaeda and other like-minded terror groups to raise and move money around the world. We have frozen and seized terrorist assets, exposed and dismantled known channels of funding, deterred donors, arrested key facilitators, and built higher hurdles in the international financial system to prevent abuse by terrorists.

We have forged an international coalition to combat terrorist financing and have focused the world's attention on previously unregulated, high-risk sectors like charities and hawalas. We have placed onto the international agenda the growing concern we have about the use of cash couriers by terrorists groups. In all of these efforts, we have enlisted the private sector worldwide—the banks, money service businesses, broker-dealers and the charitable sector—to serve as the front-line in this battle. These efforts have tightened the financial noose around Al Qaeda's neck.

The drumbeat of our drive to disrupt and dismantle terrorist financing has been constant and will continue.

Mr. Chairman, I am very proud that this work has been undertaken while our other efforts to combat money laundering, financial crimes, and enforce sanctions have also intensified. There are many examples of the important and steady work the Treasury continues to produce. I would like to share with you just a few of our recent actions:

- On June 2, the United States and the Kingdom of Saudi Arabia announced the designation of five branches of the Saudi-based charity, Al- Haramain, while the Saudi Government also announced the consolidation of their charitable sector. The United States further announced the designation of the leader of Al-Haramain.
- We continue to identify front companies and individuals who acted on behalf of the Saddam Hussein regime in Iraq. Since March 2003, when Secretary Snow launched our campaign to find, freeze and repatriate the Iraqi assets stolen by the Hussein regime, we have worked with our international partners to freeze approximately $6 billion around the world and return over $2.7 billion to the Iraqi people.
- The Treasury's Financial Crimes Enforcement Network (FinCEN), along with the Office of Comptroller of Currency, levied a fine of $25 million against Riggs Banks for failure to comply with provisions of the *Bank Secrecy Act.* This has resulted in a more aggressive plan with the regulators for ensuring proper oversight and accountability in the administration of the *Bank Secrecy Act.*

- The Secretary of the Treasury recently designated the Commercial Bank of Syria as a "primary money laundering concern" under Section 311 of the *USA PATRIOT Act*. As a result, the Secretary ordered the closing of their correspondent accounts because of that bank's complicity in dealing with the Hussein regime, its weak money laundering practices, and suspicions of terrorist financing through the institution.
- In recent weeks, we have continued to provide leadership internationally in the field of countering terrorist financing and money laundering by driving issues of key concern to the United States at the plenary meetings of the Financial Action Task Force and the Egmont Group of Financial Intelligence Units.

This is but a mere snapshot of the important work the Treasury accomplishes every day. These efforts are critical not only to preserve the integrity of our financial system, but also to promote the national security interests of our country.

The need for this type of intensive and consolidated work in the long-term is why this Administration, in concert with Congress, decided to create the new Office of Terrorism and Financial Intelligence. TFI, as it will be called, brings under one umbrella the intelligence, enforcement, diplomatic, policy, and regulatory resources of the Treasury. It will allow us to consolidate our information and analysis to best utilize Treasury authorities to advance our national security interests and protect our financial systems. TFI will allow us to sustain these and additional efforts for the long term.

This is important, Mr. Chairman, because we know that we are in the midst of a real and protracted struggle against terrorism. We will not tire in our mission to find and incapacitate those who underwrite terror. We will continue to strengthen the financial net to protect our institutions from tainted capital flows and will continue to use all of our authorities, relationships, and expertise to attack sources, conduits and proceeds of financial crime.

Finally, Mr. Chairman, I am pleased to have with me close friends as well as my wife, Cindy, who is my best friend and high-school sweetheart. She has unselfishly sacrificed over the past 3 years to allow me to pursue this mission. I am sorry that my parents, who are in California, could not be here today, but they are very happy to know that I sit before you. It has been both a dream and an expectation of my parents—who immigrated from Mexico and Cuba in the 1950's in search of freedom and opportunity—that my siblings and I serve this country. If confirmed, I hope to continue to serve this President and Secretary Snow with an unwavering commitment and a deep passion for these issues, and to work with this Committee and other Committees of Congress to advance our national interests.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

The Committee requests the nominee provide the following information in a single written statement by typing each question in full followed by the nominee's response. Please provide three copies of your typed statement to Carla Martin, Chief Clerk, 219 Dirksen Senate Office Building, Washington, D.C. 20510.

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.): Juan Carlos Zarate

2. Position to which nominated: Assistant Secretary of the Treasury (Terrorist Financing and Financial Crimes)

3. Date of nomination: March 11, 2004.

4. Address: (List current residence, office, and mailing addresses.): Residence: 6335 Walking Lane, Alexandria, VA 22312. Office: U.S. Department of the Treasury, 1500 Pennsylvania Ave., NW, Washington, DC 20220.

5. Date and place of birth: May 31, 1971, Santa Ana, California.

6. Marital status: (Include maiden name of wife or husband's name.): Married to Cynthia Michelle Millsap Zarate.

7. Names and ages of children: N/A.

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.): Mater Dei High School (1985-1989), HS Diploma 1989; Harvard University (1989-1993), A.B. 1993; Universidad de Salamanca (1993-1994) (graduate studies but no degree); Harvard Law School (1994-1997), J.D. 1997.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

   U.S. District Court, Central District of California, Summer Law Extern for Honorable Alicemarie Stotler, U.S. Courthouse, 411 West Fourth St., Room 1053, Santa Ana, CA 92701 (June 1995 to August 1995) (unpaid).

   White & Case, LLP, Summer Associate, 1155 Avenue of the Americas, NY, NY 10036 (May 1996 to July 1996).

O'Melveny & Myers, Summer Associate, 610 Newport Center Drive, 17th Floor, Newport Beach, CA 92660 (July 1996 to September 1996).

U.S. District Court, Southern District of California, Law Clerk for Honorable Judith N. Keep, 940 Front Street, San Diego, CA 92101 (October 1997 to October 1998).

U.S. Department of Justice, Criminal Division, Terrorism and Violent Crime Section, Trial Attorney, 601 D Street, Suite 6500, Washington DC, 20530 (January 1999 to August 2001). My service at the Department of Justice also included work as a Special Assistant United States Attorney at the U.S. Attorney's Office, District of Maryland as well as a rotation in the Criminal Appellate Section of the U.S. Department of Justice.

U.S. Department of the Treasury, 1500 Pennsylvania Ave, NW, Washington DC, 20220, Deputy Assistant Secretary (Executive Office for Terrorist Financing and Financial Crimes) (March 2003 to present); Deputy Assistant Secretary (Terrorism and Violent Crime) (November 2001 to March 2003); Senior Advisor to the Under Secretary (Enforcement) (August 2001 to November 2001).

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.) N/A.

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.): Summer Associate for White & Case and O'Melveny & Myers.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.):

I have been a member or associate/affiliate of the following organizations within the past ten years: Freedom's Foundation at Valley Forge (1989-present); Washington Crossing Foundation (1989-present); Hermanos Al Rescate ("Brothers to the Rescue") (approximately 1995-1998); Harvard Law School's Tenant Advocacy Project (1994-1997); Harvard's Earthen Vessels Program (1994-present); Harvard's Catholic Students Association (1989-1993); Harvard's Progressive Alliance for Life (1989-1993, Co-Chair in 1992-1993).

13. Political affiliations and activities:

    a. List all public offices for which you have been a candidate: None

    b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years: None

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years: None

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Department of the Treasury, Exceptional Service Award (February 7, 2003)
Mater Dei High School Ring of Honor Inductee (May 2002)
Department of Justice, Special Achievement Award (Summer 2001)
Department of Justice Honor Program Attorney (Selection in 1998)
Rotary International Fellowship (1994)
Harvard University's John P. Reardon, Jr. Award (top male student-athlete, 1993)
Harvard/Lowell House Patrick C. Melendez Award (public service award 1993)
Harvard/Lowell House Franklin Ford Award (intellectual curiosity 1993)
Harvard University Dean's List (4 years: 1990-1993)
Washington Crossing Foundation Scholarship (1989)
Rotary Club of Santa Ana Young Man of the Year (1989)
Freedom's Foundation at Valley Forge Honoree (1988-89)

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.):

*Forging Democracy: A Comparative Study of the Effects of U.S. Foreign Policy on Central American Democratization* (University Press of America 1994);
*The Emergence of a New Dog of War: Private International Security Companies, International Law, and the New World Disorder* (Stanford Journal of International Law Winter 1998);
Review of Jon Galen Carpenter's *Beyond NATO* in the Harvard Journal of International Law Spring 1995;
Response to Article in Harvard's Lighthouse Journal (Spring 1990).

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.):

I have made formal speeches, participated on various panels, testified several times before Congress, and have been interviewed by the media frequently. The following are the names of the fora in which I have participated and made a presentation of some kind (either as a panelist or a presenter): Investment Company Institute (November 10, 2003); Islamic Society of North America (April 2003 Chicago Symposium and August 2003 National Conference in Chicago); Muslim Public Affairs Council (December 2002 National Conference in Long Beach); National Press Club Event Sponsored by the Muslim Public

Affairs Council (October 20, 2003), Bankers' Association for Finance and Trade (2002), Jewish Council for Public Affairs (February 2002); Bank Secrecy Act Advisory Group (May 14, 2003, and October 22, 2003); Pakistan American Business Association (January 2002); The Conference of State Bank Supervisors; Freedom's Foundation at Valley Forge/Orange County Chapter (Richard Nixon Library July 2002); Roundtable on Social and Behavioral Sciences and Terrorism (March 18, 2002).

Only one of those events, my keynote address at the Investment Company Institute, has included formal remarks that the Treasury Department has published. That speech is attached.

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.):

I have served the Administration and the Treasury Department since September 11, 2001, as a primary policymaker and spokesperson on the issues of terrorist financing, financial sanctions and national security, money laundering, and financial crimes – first as the Deputy Assistant Secretary of the Treasury for Terrorism and Violent Crimes and then as the Deputy Assistant Secretary for Terrorist Financing and Financial Crimes. Since March 2003, I have been charged with coordinating the Treasury's policy and operational efforts to deal with terrorist financing and financial crimes threats, in addition to overseeing the functions and operations of the Office of Foreign Assets Control (OFAC), the Financial Crimes Enforcement Network (FinCEN), and the Executive Office for Asset Forfeiture. In addition, I have provided Treasury's policy guidance to the Criminal Investigation Division of the Internal Revenue Service as it relates to terrorist financing, money laundering, and related financial crimes.

In my capacity since September 11th, I have represented the Treasury in the inter-agency on issues related to terrorism and terrorist financing as well as the application and administration of US economic sanctions. In addition, since March 2003, I have led Treasury efforts with respect to combating money laundering, financial crimes, and drug trafficking. In this capacity as well, I have served as a primary financial diplomat to other countries and with the private sector to enlist cooperation – having led or participated in dozens of international initiatives and delegations related to terrorist financing, financials sanctions, and money laundering. In particular, I have served as a primary interlocutor with key countries like Saudi Arabia on the issue of terrorist financing.

Most recently, I have been charged with coordinating and leading the US government's efforts to find, freeze, and return Iraqi and Hussein-related assets to the Iraqi people. In this capacity, we have marshaled the resources of the intelligence, law enforcement, regulatory, financial, and diplomatic communities to achieve real success in finding and returning Iraqi assets, and I have directly engaged with foreign leaders, ministers, and representatives on this issue.

My oversight over sanctions policy generally and over the work of the Office of Foreign Assets Control more specifically has required that I be a primary policymaker on issues of national security and import within the Treasury Department and within the US government. In this capacity, I am directly involved in the policies surrounding and enforcement of US laws related to the Cuba sanctions program, given the President's October 2003 call for more effective enforcement of existing laws and regulations.

In my role over the past year, I have also overseen the implementation of the 2002 National Money Laundering Strategy, the drafting and publication of the 2003 National Money Laundering Strategy, and the continued implementation of Treasury and US government efforts to combat money laundering and financial crimes. In this capacity, I have also guided Treasury's powers and involvement to combat transnational financial criminal activity – including international narcotics trafficking. This includes direct involvement and work with the law enforcement and intelligence communities.

In addition, I have worked on issues related to the USA PATRIOT Act since its conception and have overseen the work of FinCEN over the past year in reviewing and implementing key provisions of the Act and the Bank Secrecy Act.

My background as a federal prosecutor in the counter-terrorism division and in working on cases prior to September 11th related to al Qaida and other terrorist groups has been an added advantage for me in my current position and would continue to help as we continue to focus efforts on dismantling terrorist infrastructures.

Most importantly, I believe I have a vibrant and clear vision for Treasury's role in leading and supporting U.S. national security goals. The use of Treasury powers, influence, and expertise is an essential element of the U.S. government's ability to affect the behavior of rogue elements around the world and to protect the international financial system and the people of the United States against the ill effects of flows of tainted capital.

I therefore believe that I am qualified for this position given (1) my direct and continued experience in leading and managing the issues related to terrorist financing, economic sanctions, money laundering, financial crimes, the Bank Secrecy Act; (2) my deep experience internationally in building coalitions with foreign governments and the private sector to deal with issues of import to the Treasury and the US government; (3) my well-established relationships within the US government, especially in the law enforcement, diplomatic, and intelligence communities; and (4) my deep commitment to these issues and passion for accomplishing the goals of disrupting and dismantling terrorist financial networks, deterring money laundering and drug trafficking, and using Treasury's

financial powers, influence, and expertise to affect the behavior of rogue elements within the international system.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details: Not applicable.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details: No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain: Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated: None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated: None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed: None. Any such activities have been as a Treasury employee.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.): Should any potential conflicts of interest arise in the future, I will consult with Treasury ethics officials.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details: No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details: No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details: Yes. I am currently a member of the plaintiff's class of Department of Justice attorneys challenging the Department of Justice for failing to apply federal overtime rules. The name of this case is John Doe v USA, Federal Court of Claims (filed November 25, 1998). I have had no direct involvement in this case other than membership in the class.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details: No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?: Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?: Yes.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

**Name:** **Barth** (Last) **Carin** (First) (Other)

**Position to which nominated:** **Chief Financial Officer – Housing and Urban Development**

**Date of nomination:**

**Date of birth:** **17** (Day) **January** (Month) **1963** (Year) **Place of birth:** Levittown, New Jersey

**Marital Status:** Married

**Name and ages of children:** Mitchell Barth – 12, Leslye Barth – 11, and Melysa Barth - 10

**Education:**

| Institution | Dates Attended | Degrees Received | Dates of Degrees |
|---|---|---|---|
| University of Alabama | 8/81-8/84 | BS | 8/84 |
| Owen Graduate School Of Management-Vanderbilt University | 8/84-5/86 | MBA | 5/86 |

**Honors and awards:** List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

**University of Alabama**

Recipient, **Business and Commerce Scholarship**

Recipient, **State Farm Scholarship**

Recipient, **Kappa Alpha Theta Scholarship**

Recipient, **Economics Award**

*Top economics student at University of Alabama*

Recipient, **Austin Cup Award**

*Top business and commerce student at University of Alabama*

Recipient, **Achievement Award in Finance**

College of Commerce & Business Administration

**Owen Graduate School of Management-Vanderbilt University**

Recipient, **Distinguished Young Alumni Award**

**Juvenile Diabetes Foundation**

Distinguished Member Award

**Memberships:** List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

**Organization/Dates**

Religious Organizations
- B'Nai Brith Women – Est. 1995–Present
- Congregation Beth Yeshurun – Est. 1988–Present

Civic Organizations
- The James A. Baker III Institute for Public Policy, Rice University
  - Member, Est. 1993-Present
- City of Houston-Member, Investment Committee
- Houston Convention Center Hotel Corporation
  - Member, 2000-Present
  - Secretary, 2000-Present
- Kappa Alpha Theta Alumni of Houston
  - Member, Est. 1993-Present
- The Greater Houston Partnership, 2000-Present
  - Member, Executive Women's Partnership, 2000-Present
- The Houston Forum –
  - Member, Est. 1993–Present
  - Chairman, 2000-2001
  - President, 1999-2000
    - Executive Committee, 1999-Present
- Young Presidents' Organization – Houston Chapter
  - Member, 2001-Present

Charitable Organizations
- Houston Museum of Natural Science
  - President's Circle, Est. 2000-2004
- Houston Ballet Foundation
  - Advisory Trustee, Est. 1995-1997
- Juvenile Diabetes Foundation of Houston
  - Member, Board of Directors, 1993-1998
  - Executive Board
- The Houston Symphony Society
  - Member, Est. 1998-2003
- The Children's Museum of Houston
  - Director, Est. 1999-2003
- The Oncology Services Endowment Foundation
  - Trustee, 1999-Present
- The Ronald McDonald House of Houston
  - Member, Board of Directors, 1997-Present
  - President, 1/2001-1/2003

Treasurer, 1/1998-1/2001
Chair, Nominating Committee, 1/2002-1/2005
The Zoological Society of Houston
Member, Advisory Board, 1997-2003
Zina Garrison All-Court Tennis Foundation
Member, Advisory Board, 1995-1997

Educational Organizations
Owen Graduate School of Management
Member, Alumni Board, Est. 1991-1995
Texas Tech University
Member, Board of Regents, 1999-Present
Texas Tech University Endowment
Chairman, Investment Advisory Committee, 2001-Present
University of Alabama
Member, Board of Visitors, 1992-Present

Private Clubs
The Briar Club
Member, 1998-2002
The Coronado Club
Member, 1999-Present
The Houston Center Club
Member, Est. 1989-1993
The Houston City Club
Member, 1986-Present
The Houston Club
Member, Est. 1990-2002
The Houstonian
Member, 1997-1999
The River Oaks Country Club
Member, 2001-Present
The YMCA of Houston
Member, Est. 1995-2001

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

1988-present President, LB Capital, Inc.

Houston, Texas

Leads the management team of a private financial organization engaged in the acquisition and ownership of operating businesses. Identifies, analyzes and conducts due diligence for financial and strategic acquisition candidates in industries ranging from basic manufacturing to retail operations.

2001-present Board of Directors, **Southwest Bank of Texas (NasdaqNM: SWBT)**
Houston, Texas

Trust Committee, Chairman, 2000-Present

Audit Committee, 2003-Present

Governance Committee, 2002-Present

Major regional bank with in excess of $4 Billion in assets.

1993-2004 Board of Directors, **UniPure Corporation**

Houston, Texas

Chairman, 2002-January 2004

Corporation in the business of researching, developing and marketing technology usable in the petroleum producing, refining and marketing industries. Technologies include emulsion-breaking, desulfurization and upgrading of crude oils.

1987-1988 Manager of Financial Planning, Cain Chemical, Inc.
Houston, Texas

Organized and supervised $25 million energy hedging program. Constructed financial models for evaluating energy markets. Analyzed potential acquisitions for company expansion.

1986-1987 Associate, **The Sterling Group**
Houston, Texas

Conducted financial and operational due diligence on transactions ranging from $10 million to $1 billion for leveraged buyout firm. Developed financial models for evaluating potential acquisition candidates and appropriate capital structures.

**Government experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

**City of Houston, 2001-Present**
Member, Investment Committee
**Houston Convention Center Hotel Corporation**
Member, 2000-Present
Secretary, 2000-Present
**Texas Tech University**
Board of Regents, 1999-Present

**Published Writings:** List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Editor, The Southern Review of Political Economy-1983

**Political Affiliations and activities:** List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Peter Wareing for Congress 3/99
Orlando Sanchez for Mayor 9/99
Hutchison for U.S. Senator 1/2000
John Cornyn for Senate 1999, 2001, 2003
Host Committee, Hastert for Congress 2003
Bush-Cheney '04
Business Leaders for Bush-Cheney 2000
GW Bush Presidential Exploratory Committee, Inc.

**Political Contributions:** Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

| Date | Individual/Organization | Amount |
|---|---|---|
| 6/2/1995 | Alexander for President | $250.00 |
| 11/28/1995 | Janna Ivey Political Campaign | $500.00 |
| 10/17/1995 | Jimmy Martinez Campaign | $1,000.00 |
| 11/26/1996 | Jimmy Martinez Campaign | $1,000.00 |
| 6/30/1997 | Mosbacher for Mayor | $1,250.00 |
| 8/29/1997 | Mosbacher for Mayor | $500.00 |
| 11/7/1997 | Mosbacher for Mayor | $2,500.00 |
| 1/15/1998 | Jeb Bush for Governor | $500.00 |
| 4/15/1998 | Texans for Rick Perry | $1,000.00 |
| 7/15/1998 | Victory '98 | $5,000.00 |
| 10/8/1998 | Jimmy Martinez Campaign | $1,000.00 |
| 10/29/1998 | Texans for John Cornyn | $10,000.00 |
| 11/13/1998 | Jimmy Martinez Campaign | $1,000.00 |
| 3/2/1999 | Peter Wareing for Congress | $1,000.00 |
| 3/2/1999 | Peter Wareing for Congress | $1,000.00 |
| 3/12/1999 | Governor George W. Bush | $1,000.00 |
| 9/2/1999 | Orlando Sanchez Campaign | $5,000.00 |
| 9/10/1999 | Texans for John Cornyn | $10,000.00 |
| 10/20/1999 | Jeff Shadwick Campaign | $500.00 |
| 11/11/1999 | Bert Keller Campaign | $1,000.00 |
| 12/2/1999 | American Dream PAC | $1,000.00 |

| | | |
|---|---|---|
| 3/12/1999 | Governor George W. Bush | $1,000.00 |
| 1/28/2000 | Hutchison for U.S. Senate | $1,000.00 |
| 3/31/2000 | Peter Wareing for Congress | $1,000.00 |
| 3/31/2000 | Peter Wareing for Congress | $1,000.00 |
| 8/22/2000 | Pete Laney | $1,000.00 |
| 8/22/2000 | Rob Junell | $1,000.00 |
| 5/16/2001 | Charles Bacarisse Campaign | $100.00 |
| 6/18/2001 | Sylvia Garcia Campaign | $500.00 |
| 9/20/2001 | John Cornyn for Senate | $2,000.00 |
| 9/25/2001 | Texans for Rick Perry | $500.00 |
| 9/25/2001 | Robert Duncan Campaign | $500.00 |
| 10/18/2001 | Orlando Sanchez for Mayor | $1,000.00 |
| 11/9/2001 | Orlando Sanchez for Mayor | $6,000.00 |
| 11/8/2001 | Judge John T. Wooldridge | $1,000.00 |
| 12/12/2001 | Bush - Brogan 2002 | $500.00 |
| 12/12/2001 | Republican Party of Florida | $10,000.00 |
| 2/26/2002 | Wareing for Congress | $1,000.00 |
| 5/2/2002 | Sylvia Garcia Campaign | $500.00 |
| 5/15/2002 | Friends of Pataki | $5,000.00 |
| 5/17/2002 | Texans for Henry Bonilla | $750.00 |
| 10/24/2002 | Jimmy Martinez Campaign | $1,000.00 |
| 11/18/2002 | John Cornyn for Senate | $2,000.00 |
| 2/12/2003 | John Cornyn for Senate | $2,000.00 |
| 6/3/2003 | Hastert for Congress | $4,000.00 |
| 11/25/2003 | Robert Duncan Campaign | $500.00 |
| 12/29/2003 | Huntsman for Governor | $1,500.00 |
| 2/2/2004 | Friends of Bill White | $1,000.00 |

**Qualifications:** State fully your qualifications to serve in the position to which you have been named.

I am qualified to be the Chief Financial Officer of the Department of Housing and Urban Development because of my background in financial management and my background in supervising large, diverse organizations, particularly on financial matters. As my resume reflects, I have been working in the finance industry for my entire professional career. I entered the industry as an analyst for a private equity investment firm, and eventually co-founded my own firm in the private equity investment business.

I have also had the opportunity to serve the State of Texas and the City of Houston through various Boards of which I am a member. My service to Texas and to Houston involves particular emphasis on supervision of financial matters. I also serve as a director on a public company bank board (approximately $6 Billion in assets), chairing its Trust Committee and participating as a member on its Audit and Governance Committees. Through my various professional experiences, I believe I have developed the technical and managerial experience I will need to be successful if I am afforded the opportunity to serve as Chief Financial Officer of the Department of Housing and Urban Development.

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   I will sever all connections with my present employer, business firm, association or organization if I am confirmed by the Senate.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   I have no future plans with respect to employment.

3. Has anybody made you a commitment to a job after you leave government?

   No

4. Do you expect to serve the full term for which you have been appointed?

   Yes

**Potential conflicts of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

a. I own phantom common stock shares of Southwest Bancorporation of Texas, an independent bank holding company in Houston, Texas, through its Non-Employee Director's Deferred Compensation Plan.

b. My spouse is the President of Bowers Properties, Inc., a real estate holding company in Houston, Texas. He receives a salary from his service in this position. I also serve as the Vice President and Board Member of Bowers Properties, Inc. Bowers Properties is the General Partner for BriBar Minerals Ltd., an oil and gas investment company in Houston, Texas. My spouse and I are limited partners with BriBar Minerals, Ltd.; however, we receive no direct compensation from this organization.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

a. My dependent children own the following bonds both individually and through family trusts established in their names: Oklahoma Housing Finance Agency Single Bonds and Oklahoma Housing Finance Agency Single Family Revenue Management-Homeowner Bonds. These bonds are issued by the Oklahoma Housing Finance Agency.

b. I own bonds issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Ownership of these securities is prohibited by the U.S. Department of Housing and Urban Development's (HUD) Supplemental Standards of Conduct regulation at 5 C.F.R. § 7501.104(a)(1), (2).

c. I presently hold the following positions with non-Federal entities:

- Chairman & President, LB Capital, Inc.- Houston, Texas
- President and Member of the Board, The Bowers Foundation
- Board Member and Vice President, Guajolote Management, Inc. - Houston, Texas
- Manager, GRC Ventures, LLC- Houston, Texas
- Chairman, Texas Tech University Endowment - Lubbock, Texas
- Director & Member, The Houston Forum- Houston, Texas
- Board Member, The Children's Museum of Houston- Houston, Texas
- Board Member, The Oncology Services Endowment Foundation - Houston, Texas
- Director; Member of Audit Committee and Governance Committee; Chair of Trust Committee, Southwest Bancorporation of Texas, N.A. - Houston, Texas
- Board Member & Corporate Secretary, Houston Convention Center HotelCorporation - Houston, Texas

d.I also hold the following positions with non-Federal entities:

- Member, City of Houston Investment Committee – Houston, Texas
- Regent, Texas Tech University – Lubbock, Texas
- Member, University of Alabama Board of Visitors-Tuscaloosa, Alabama

e. I am currently a general partner in LB Investments, a private general partnership located in Houston, Texas.

f. I am the Vice President and Member of the Board for the Lupuloff-Barth Foundation, which is a private charitable trust foundation located in Houston, Texas. I am also on the Board of The Ronald McDonald House of Houston, Texas, and the trustee for four private trusts established for the children of my business partner from LB Investments: Barton Bowers 1992 Trust, Barton Rhea Bowers 1994 Insurance Trust, Brian Bowers 1992 Trust, and Brian Russell Bowers 1994 Insurance Trust. I will retain these positions following my confirmation.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

Re: 1.a. above (Southwest Bancorporation):
I have agreed to cash out my shares within 90 days of my confirmation. Until this transaction is complete, pursuant to 18 U.S.C. 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Southwest Bancorp., unless I first obtain a written waiver or qualify for a regulatory exemption. After I have cashed out my phantom stock shares, and until one year from the date that I resign as Director, I will not participate in any particular matter involving specific parties in which Southwest Bancorp. is or represents a party, unless I am authorized to participate.

Re: 1.b. above (Bowers Properties/BriBar Minerals): In order to avoid potential conflicts of interest, I have agreed to resign from my positions with Bowers Properties. Additionally, pursuant to 18 U.S.C. § 208, I have agreed to recuse myself from participating personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Bowers Properties, Inc., or BriBar Minerals, Ltd., unless I first obtain a written waiver or qualify for a regulatory exemption.

Re: 2.a. above (Oklahoma Housing Finance Agency Bonds): HUD's Office of General Counsel has determined that these bonds do not presently pose a conflict of interest, and that it is therefore not necessary at this time for me to divest these interests. I have nevertheless agreed not to participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of the Oklahoma Housing Finance Agency to pay any of these obligations.

Re: 2.b. above (FNMA/FHLC): I have agreed that I will divest my holdings in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation within 90 days of my confirmation. Until these transactions are complete, I will recuse myself and not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of the Federal National Association and the Federal Home Loan Mortgage Corporation to pay these obligations, unless I obtain a written waiver.

Re: 2.c. above (Non-Federal entities): I have agreed to resign from these positions upon my confirmation. For one year from the date of my resignations from the listed organizations, I have agreed not to participate in any particular matter involving specific parties in which any of these organizations is or represents a party, unless I am authorized to participate.

Re: 2.d. above( Non-Federal entities): I have agreed to resign from these positions upon my confirmation.

Re: 2.e. above (LB Investments): The remaining general partner in LB Investments has consented to the dissolution of the partnership and the distribution of partnership assets if I am confirmed. I have therefore agreed that, upon confirmation, I will dissolve the partnership of LB Investments. None of the assets in the LB Investments portfolio present a conflict of interest problem at this time.

Re: 2.f. above (Lupuloff-Bath Foundation, The Ronald McDonald House, Bowers Trusts): In the event that I am confirmed, I have agreed not to receive any compensation for services from any of these entities during my Federal service. None of the private trusts for which I am trustee currently hold assets prohibited under HUD's Supplemental Standards of Ethical Conduct at 5 C.F.R. Part 7501, and I have agreed that I will not acquire any such prohibited assets while serving as the Chief Financial Officer for HUD. Furthermore, pursuant to 18 U.S.C. § 208, I have agreed that I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of these entities, unless I first obtain a written waiver or qualify for a regulatory exemption. Additionally, I understand that I may not represent any of these entities before the Federal government.

**Civil, criminal and investigatory actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

Jason W. Roberts, Plaintiff, has sued the entire Board of Regents of Texas Tech University and various officers of the University complaining that the University's policies regarding speech on campus are in violation of his rights. The lawsuit was filed on June 12, 2003. It is currently pending under Cause No. 5-03CV0240-C in the US District Court for the northern District of Texas.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

Not applicable.