

**OVERSIGHT OF THE TREASURY DEPARTMENT'S  
AND FEDERAL RESERVE'S PANDEMIC RESPONSE**

---

**HYBRID HEARING**  
BEFORE THE  
**COMMITTEE ON FINANCIAL SERVICES**  
**U.S. HOUSE OF REPRESENTATIVES**  
ONE HUNDRED SIXTEENTH CONGRESS  
SECOND SESSION

DECEMBER 2, 2020

Printed for the use of the Committee on Financial Services

**Serial No. 116-115**



U.S. GOVERNMENT PUBLISHING OFFICE

43-529 PDF

WASHINGTON : 2022

## HOUSE COMMITTEE ON FINANCIAL SERVICES

MAXINE WATERS, California, *Chairwoman*

CAROLYN B. MALONEY, New York	PATRICK McHENRY, North Carolina,
NYDIA M. VELAZQUEZ, New York	<i>Ranking Member</i>
BRAD SHERMAN, California	ANN WAGNER, Missouri
GREGORY W. MEEKS, New York	FRANK D. LUCAS, Oklahoma
WM. LACY CLAY, Missouri	BILL POSEY, Florida
DAVID SCOTT, Georgia	BLAINE LUETKEMEYER, Missouri
AL GREEN, Texas	BILL HUIZENGA, Michigan
EMANUEL CLEAVER, Missouri	STEVE STIVERS, Ohio
ED PERLMUTTER, Colorado	ANDY BARR, Kentucky
JIM A. HIMES, Connecticut	SCOTT TIPTON, Colorado
BILL FOSTER, Illinois	ROGER WILLIAMS, Texas
JOYCE BEATTY, Ohio	FRENCH HILL, Arkansas
DENNY HECK, Washington	TOM EMMER, Minnesota
JUAN VARGAS, California	LEE M. ZELDIN, New York
JOSH GOTTHEIMER, New Jersey	BARRY LOUDERMILK, Georgia
VICENTE GONZALEZ, Texas	ALEXANDER X. MOONEY, West Virginia
AL LAWSON, Florida	WARREN DAVIDSON, Ohio
MICHAEL SAN NICOLAS, Guam	TED BUDD, North Carolina
RASHIDA TLAIB, Michigan	DAVID KUSTOFF, Tennessee
KATIE PORTER, California	TREY HOLLINGSWORTH, Indiana
CINDY AXNE, Iowa	ANTHONY GONZALEZ, Ohio
SEAN CASTEN, Illinois	JOHN ROSE, Tennessee
AYANNA PRESSLEY, Massachusetts	BRYAN STEIL, Wisconsin
BEN McADAMS, Utah	LANCE GOODEN, Texas
ALEXANDRIA OCASIO-CORTEZ, New York	DENVER RIGGLEMAN, Virginia
JENNIFER WEXTON, Virginia	WILLIAM TIMMONS, South Carolina
STEPHEN F. LYNCH, Massachusetts	VAN TAYLOR, Texas
TULSI GABBARD, Hawaii	
ALMA ADAMS, North Carolina	
MADELEINE DEAN, Pennsylvania	
JESUS "CHUY" GARCIA, Illinois	
SYLVIA GARCIA, Texas	
DEAN PHILLIPS, Minnesota	

CHARLA OUERTATANI, *Staff Director*

# CONTENTS

---

	Page
Hearing held on:	
December 2, 2020 .....	1
Appendix:	
December 2, 2020 .....	43

## WITNESSES

WEDNESDAY, DECEMBER 2, 2020

Mnuchin, Hon. Steven T., Secretary, U.S. Department of the Treasury .....	5
Powell, Hon. Jerome H., Chair, Board of Governors of the Federal Reserve System .....	6

## APPENDIX

Prepared statements:	
Mnuchin, Hon. Steven T. ....	44
Powell, Hon. Jerome H. ....	46

## ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Waters, Hon. Maxine:	
Written responses to questions submitted to Secretary Mnuchin .....	58
Written responses to questions submitted to Chairman Powell .....	73
Letter to Hon. Mark Calabria, Director, FHFA .....	85
Letter from the Credit Union National Association (CUNA) .....	87
Letter from the National Association of Federally-Insured Credit Unions (NAFCU) .....	90
Letter from the National Association of REALTORS to Treasury Secretary Mnuchin and FHFA Director Calabria .....	94
Letter of support from PATH (People Supporting the Homeless) .....	96
Letter from various midsize nonprofits .....	97



## **OVERSIGHT OF THE TREASURY DEPARTMENT'S AND FEDERAL RESERVE'S PANDEMIC RESPONSE**

**Wednesday, December 2, 2020**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:04 a.m., via Webex, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Sherman, Clay, Green, Perlmutter, Foster, Heck, Gottheimer, Lawson, San Nicolas, Porter, Axne, Casten, Pressley, Ocasio-Cortez, Wexton, Lynch, Gabbard, Adams, Dean, Garcia of Illinois, Garcia of Texas, Phillips; McHenry, Wagner, Lucas, Posey, Huizenga, Stivers, Barr, Hill, Zeldin, Mooney, Davidson, Budd, Kustoff, Gonzalez of Ohio, Rose, Steil, Gooden, Riggleman, Timmons, and Taylor.

Chairwoman WATERS. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time. I want to remind Members of a few matters, including some required by the regulations accompanying House Resolution 965, which established the framework for remote committee proceedings.

I would ask all Members on the Webex platform to keep themselves muted when they are not being recognized by the Chair. This will minimize disturbances while Members are asking questions of our witnesses.

Members on the Webex platform are responsible for muting and unmuting themselves. The staff has been instructed not to mute Members, except when a Member is not being recognized by the Chair, and there is inadvertent background noise.

Members on the Webex platform are also reminded that they may only attend one remote hearing at a time. So, if you are participating today, please remain with us during the hearing. Members should try to avoid coming in and out of the hearing, particularly during the question period.

If, during the hearing, Members wish to be recognized, the Chair recommends that Members identify themselves by name so as to facilitate the Chair's recognition. I would also ask that Members be patient as the Chair proceeds, given the nature of the online platform the committee is using.

In addition, for Members participating in person, the Attending Physician provided guidance.

I now recognize myself for 4 minutes to give an opening statement.

Today, the committee convenes to conduct oversight over the Treasury Department's and Federal Reserve's pandemic response. This pandemic continues to have a terrible impact across the nation. There have been over 13.4 million coronavirus cases in the U.S., which is almost double the amount of cases when Secretary Mnuchin and Chair Powell last testified in September, and over 267,000 people have lost their lives to the virus. Hospitalizations and deaths are surging as this crisis spirals out of control. Small businesses are shutting their doors permanently, and millions are at risk of eviction, foreclosure, and being laid off.

An historic number of Americans resoundingly voted for a new direction last month by overwhelmingly voting for President-elect Biden and Vice President-elect Harris. The American people have made it clear that they want a government that will fight this virus and will protect their families and small businesses from the impacts of COVID-19.

Secretary Mnuchin, on a call last month, many committee Democrats and I committed to not going home until we have a deal for a stimulus package that is desperately needed across the country, but as negotiations continue, I am appalled that you would knowingly make matters worse by permanently ending essential emergency lending programs, leaving States, cities, and small businesses out to dry as the nation faces a dire and worsening phase of the pandemic crisis. There is simply no justification or justifiable reason to take these tools away, with the pandemic crisis worse than it has been, and the Biden Administration arriving in January.

And, Chairman Powell, I am also concerned that the Federal Reserve acceded to Treasury's request after publicly indicating the importance of extending these Facilities.

Secretary Mnuchin, I am also very concerned that the Treasury Department may be taking actions that will undermine housing markets during the pandemic by reportedly working with the Federal Housing Finance Agency (FHFA) to rush the Government-Sponsored Enterprises (GSEs) out of conservatorship before the end of the Trump Administration.

These actions follow the Trump Administration's obstruction of the transition process, delaying important information-sharing about the pandemic response and national security between the Biden transition team and the current Administration. So today, you will be held to account for your misguided actions.

I now recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes.

Mr. MCHENRY. Thank you, Madam Chairwoman.

And, look, I know there has been a lot of partisan talk by my colleagues on the Democratic side of the aisle attacking the actions of the Treasury Secretary and even the Federal Reserve. And I know committee Democrats and a lot of Democrats in Congress said that they wouldn't go home until they had a deal, and then they went home for 10 days. So, there is not a whole lot of believability coming from our fellow politicians here on Capitol Hill right now. It is quite frustrating.

But, Chairman Powell, Secretary Mnuchin, I want to thank you for being with us today and for being so available. I also want to commend you for the quick and decisive work that you both have done, and I think that is something for which we should commend you.

But, today, I think there is also a reason for optimism. The coronavirus vaccines are moving at an unprecedented pace. Last month, Pfizer announced its vaccine is 95-percent effective, and they are currently seeking regulatory clearance. Moderna announced on Monday that its vaccine is 94.1-percent effective, and they will also seek regulatory clearance. And the British announced today that they are moving forward as well with their vaccine distribution.

This is proof that the public-private partnerships, like those in Operation Warp Speed, can lead to phenomenal successes in record time. But we know a full economic recovery will occur only when Americans can go back to work safely, send their kids back to school confidently, and have easy access to testing and treatments. And there is still more work to be done.

And so, I do want to go back to our committee jurisdiction, and the Treasury and the Fed's decisive actions back in March and April to prevent the worst of this economic crisis and save millions of jobs.

Chairman Powell, the Federal Reserve's emergency lending facilities continue to serve as a strong backstop to our financial markets and to prevent disorder in the financial markets from impacting our real economy. Those programs stipulated billions of dollars in private-sector lending and successfully operated as lender of last resort.

And they acted as that necessary source of liquidity in those urgent times earlier this year. They ensured the orderly flow of credit and the functioning of markets of all sizes, including supporting workers in communities across the country. So, I want to commend you for that.

But they are emergency facilities only, and they are backstops designed to support the functioning of private markets, and they are intended to be a lender of last resort, not to replace private markets. And from the start, I have said that we need to be forward-thinking and have a plan to wind down these firefighting measures, when appropriate.

And so, I want to thank both the Fed and the Treasury for having a plan to wind those measures down appropriately, in accordance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act law. And I will ask you specifically about the additional capacities that you will have with the CARES Act expiring on December 31st.

Additionally, Secretary Mnuchin, thank you for your quick work on the Paycheck Protection Program (PPP) that supported millions of small businesses. I know we still need additional relief for more small businesses in different segments, and thank you for continuing to work for a bipartisan agreement here on Capitol Hill, and to not play the gamesmanship and partisan games that have bedeviled these talks in the last couple of months. Thank you for rising above that.

But there is still work to be done, and I look forward to us coming together and having a package that can support small businesses and do the responsible things necessary to help rebuild our economy and to protect American citizens. Thanks so much for being here today, and I look forward to your testimony.

Chairwoman WATERS. Thank you very much. I now recognize the gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, for 1 minute.

Mr. GREEN. Thank you, Madam Chairwoman.

I thank the witnesses for appearing as well. Mr. Mnuchin [inaudible] indicating that the market has recovered significantly. This begs the question for my constituents, what market? We know it isn't the Federal market [inaudible] The free food market, the foods, obviously, have one thing in common, and when all the food is gone, the front lines [inaudible].

The supermarkets, the market prices there have gone up 3.9 percent for the 12 months ending in October. The stock market does not measure certain things of influence to my constituents. It does not measure the hunger pains that my constituents suffer, the depression, and the addiction. It doesn't measure the working-class uncertainty and coronavirus injury and death.

My concern today is, what is your agency doing to help the grim reality of this pandemic for consumers? I look forward to hearing your testimony.

I yield back.

Chairwoman WATERS. Thank you very much.

I now recognize the subcommittee's ranking member, Mr. Barr, for 1 minute.

Mr. BARR. Thank you, Madam Chairwoman.

And thank you to our witnesses for being here today.

Congress, the Fed, and Treasury acted boldly in the face of the economic turmoil brought on by the COVID pandemic, and showcased the true reach of the Federal Government's response. Through Congress' fiscal policy authority and the Fed's emergency lending facilities, we were able to stabilize markets, keep workers on the job, and ensure the continued functioning of corporate credit markets.

As we continue on the path of economic recovery, it is important that we take stock of the tools used. We must evaluate which were effective and which were not, which should be redeployed and which can be wound down, and which programs are legally set to expire and which programs should be reauthorized. That is the role of this committee with oversight of the U.S. financial system. I look forward to hearing from our witnesses on this and other topics to help inform Congress' continued response to the pandemic.

Secretary Mnuchin and Chairman Powell, I commend you on your work to promote economic stability in turbulent times, and I thank you for your service.

I yield back.

Chairwoman WATERS. Thank you.

I want to welcome today's witnesses to the committee.

First, I want to welcome the Honorable Steven T. Mnuchin, Secretary of the United States Department of the Treasury. He has served in his current position since 2017. Mr. Mnuchin has testified

before the committee on previous occasions, so I do not believe he needs any further introduction.

I also want to welcome our other distinguished witness, the Honorable Jerome Powell, Chairman of the Board of Governors of the Federal Reserve System. He has served on the Board of Governors since 2012, and as its Chair since 2018. Chair Powell has previously testified before the committee, so I believe he also does not need any further introduction.

Each of you will have 5 minutes to summarize your testimony. When you have 1 minute remaining, a yellow light will appear. At that time, I would ask you to wrap up your testimony so we can be respectful of the committee members' time. And without objection, your written statements will be made a part of the record.

Secretary Mnuchin, you are now recognized for 5 minutes to present your oral testimony.

**STATEMENT OF THE HONORABLE STEVEN T. MNUCHIN,  
SECRETARY, U.S. DEPARTMENT OF THE TREASURY**

Secretary MNUCHIN. Thank you.

Chairwoman Waters, Ranking Member McHenry, and members of the committee, I am pleased to join you today to discuss the Department of the Treasury's unprecedented response to support the American people throughout the pandemic. We continue to work to implement the historic CARES Act with speed, efficiency, and transparency, but our job will not be complete until we get every American back to work.

When I last testified before you in September, I stated that America was in the midst of the fastest economic recovery from any crisis. I am proud to say that while there is still a lot more work to be done, that statement is true. In the third quarter, GDP grew by 33 percent annually, beating all expectations and a previous record of 1950.

Americans are getting back to work. The October Jobs Report showed the economy gained back 12 million jobs since April, more than 50 percent of all jobs lost due to the pandemic.

The unemployment rate has decreased to 6.9 percent, a rate not expected by the blue chip to be achieved until the fourth quarter of 2021. The historic bipartisan CARES Act provided the economic relief that is critical to supporting the economy recovering. Additional economic slowdowns, however, continue to impair and cause great harm to American business and workers.

Based upon the recent economic data, I continue to believe that a targeted fiscal package is the most appropriate Federal response. I strongly encourage Congress to use the \$455 billion in unused funds from the CARES Act to pass an additional bill with bipartisan support. The PPP has unused money of \$140 billion that could be sent out the door immediately to support many small businesses. The Administration is standing ready to support Congress in this effort to help American workers and small businesses that continue to struggle with the impact of COVID-19.

Treasury has been working hard to implement the CARES Act in a transparent and efficient manner. We have released a significant amount of information on Treasury.gov and USAspending.gov. We continue to cooperate with various oversight bodies, including

the new Special Inspector General (IG), the Treasury IG, the Treasury IG for Tax Administration, the new Congressional Oversight Commission, and the GAO.

We have provided regular updates to Congress, and this is my ninth appearance before Congress for the CARES Act hearings. We have also devoted significant resources to responding to inquiries from numerous congressional committees and individual Members on both sides.

We appreciate your interest on these issues, and we remain committed to working with you to accommodate Congress' legislative purpose to advance the whole-of-government approach to defeating COVID-19.

Chairwoman Waters, I do want to just respond to your comment where you said I had no justification and made matters worse on my termination of the facilities. I just want to emphasize that this was not a political decision; I was merely implementing the CARES Act. I am happy to walk you, your staff, or other members of the committee through Section 4029, which makes it very clear.

I find it implausible that any member of the committee believed, in voting for the CARES Act, that you were authorizing me to invest \$500 billion in Federal Reserve facilities to make loans and purchase corporate bonds in perpetuity with no expiration date. That is exactly what you would have to believe if you disagree with my interpretation of congressional intent on the issue. And since I was personally there and negotiated most of these documents, I am very familiar with them. But if Congress wants to extend this money for Federal purposes for these facilities, Congress can add that to new legislation.

I would like to thank the members of the committee for working with us, and I am pleased to answer any additional questions. Thank you very much.

[The prepared statement of Secretary Mnuchin can be found on page 44 of the appendix.]

Chairwoman WATERS. Thank you very much, Secretary Mnuchin.

Chair POWELL, you are now recognized for 5 minutes to present your oral testimony.

**STATEMENT OF THE HONORABLE JEROME H. POWELL, CHAIR,  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Mr. POWELL. Chairwoman Waters, Ranking Member McHenry, and members of the committee, thank you for the opportunity to update you on our ongoing measures to address the hardship wrought by the pandemic.

Our public health professionals continue to deliver our most important response, and we remain grateful for their service. The Federal Reserve, along with others across the government, is using its policies to help alleviate the economic burden.

Since the pandemic's onset, we have taken forceful actions to provide relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy. Economic activity has continued to recover from its depressed second quarter level.

The reopening of the economy led to a rapid rebound in activity, and GDP rose at an annual rate of 33 percent in the third quarter.

In recent months, however, the pace of improvement has moderated. Household spending on goods, especially durable goods, has been strong and has moved above its pre-pandemic level. In contrast, spending on services remains low, largely because of ongoing weakness in sectors that typically require people to gather closely, including travel and hospitality.

The overall rebound in household spending is due, in part, to Federal stimulus payments and expanded unemployment benefits, which provided essential support to many families and individuals.

In the labor market, more than half of the 22 million jobs that were lost in March and April have been regained, as many people were able to return to work. As with overall economic activity, the pace of improvement in the labor market has moderated.

Although we welcome this progress, we will not lose sight of the millions of Americans who remain out of work. The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been the hardest hit. In particular, the high level of joblessness has been especially severe for lower-wage workers in the service sector, for women, and for African Americans and Hispanics. Economic dislocation has upended many lives and created great uncertainty about the future.

As we have emphasized throughout the pandemic, the outlook for the economy is extraordinarily uncertain and will depend, in large part, on the success of efforts to keep the virus in check. The rise in new COVID-19 cases, both here and abroad, is concerning and could prove challenging for the next few months. A full economic recovery is unlikely until people are confident that it is safe to re-engage in a broad range of activities.

Recent news on the vaccine front is very positive for the medium-term. For now, significant challenges and uncertainties remain, including timing, production, and distribution and efficacy across different groups. It remains difficult to assess the timing and scope of the economic implications of these developments with any degree of confidence.

The Fed's response has been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibility to promote the stability of the financial system. We have been taking broad and forceful actions to more directly support the flow of credit in the economy.

Our actions, taken together, have unlocked almost \$2 trillion of funding to support businesses, large and small, nonprofits, and State and local governments since April. This, in turn, has helped keep organizations from shuttering and has put employers in a better position to both keep workers on, and to hire them back as the economy continues to recover.

These programs serve as a backstop to key credit markets and have helped restore the flow of credit from private lenders through normal channels. We have deployed these lending powers to an unprecedented extent. Our emergency lending powers require the approval of the Treasury, and are available only in very unusual circumstances, such as those we find ourselves in today. Many of these programs have been supported by funding from the CARES Act, and I have included detailed information about those facilities in my written testimony.

The CARES Act assigns sole authority over its funds to the Treasury Secretary, subject to the statute's specified limits. The Secretary has indicated that these limits do not permit the CARES Act-funded facilities to make new loans or purchases or to purchase new assets after December 31st of this year.

Accordingly, the Fed will return the unused portion of the funds allocated to lending programs that are backstopped by the CARES Act in connection with their termination at the end of the year. As the Secretary noted in his letter, non-CARES Act funds and the Exchange Stabilization Fund are available to support emergency lending facilities if they are needed.

Everything the Fed does is in service to our public mission. We are committed to using our full range of tools to support the economy and to help ensure that the recovery from this difficult period will be as robust as possible on behalf of communities, families, and businesses across the country. Thank you.

[The prepared statement of Chairman Powell can be found on page 46 of the appendix.]

Chairwoman WATERS. Thank you very much, Chair Powell.

I now recognize myself for 5 minutes for questions.

Secretary Mnuchin and Chair Powell, just last month the Federal Open Market Committee (FOMC) met and, according to the minutes, "a few participants noted that it was important to extend the emergency lending facilities beyond year end."

A few days later you, Secretary Mnuchin, requested that the Fed eliminate its CARES Act emergency lending facilities at the end of the year and return \$419 billion so that it could not be used in the future. Initially, the Fed resisted publicly, but the next day, Chair Powell, you acquiesced.

Secretary Mnuchin, your own Office of Financial Research (OFR) warned that we should expect, "potentially severe losses from borrower defaults and bankruptcies." Moreover, the outlook for States, cities, airports, and hospitals is not good.

And despite what President Trump suggests, it is not limited to blue States. For example, the day after New York State's credit was downgraded, Mississippi's credit was downgraded. With the pandemic worse than at any point since it began, it is foolish and reckless to take away emergency lending options at this time.

Secretary Mnuchin, you argue that it was congressional intent for these Fed facilities to be shut down at the end of the year, but the law does not say that, and even the actions of my Republican colleagues belie that novel interpretation.

Senator McConnell filed a COVID-19 bill that would change the law to require the Fed to close all of its facilities after January 19, 2021. So, if the law already required this, this bill wouldn't be necessary. The CARES Act was passed to stabilize the economy during the entirety of the pandemic, not until the end of your tenure as Treasury Secretary.

Secretary Mnuchin, it was reported last week that you intend to transfer the unused portion of the CARES Act, that \$500 billion appropriation, to Treasury's General Fund so that the next Secretary can't have access to the fund. However, Section 4027 of the CARES Act explicitly states that funds may only be transferred on January 1, 2026, not before January 1, 2026.

What you are doing is contrary to what is lawful, and it puts our entire economy in jeopardy. And, what's more, it has also been reported that you are working with Director Calabria of the Federal Housing Finance Agency to sell off the government stakes in the housing giants, Fannie Mae and Freddie Mac, likely destabilizing the entire housing market in the next few months.

As I understand it, Secretary Mnuchin, the Obama Administration showed you every courtesy when your team was taking the reins. Similarly, the Bush Administration worked closely with President Obama's incoming team during the financial crisis, even before he was sworn in. They did so because they were honoring the decision of the American electorate.

Tell me, Secretary Mnuchin, and Chair Powell, does the Secretary's expected successor, Janet Yellen, support what you are doing? Does she agree that the emergency lending facilities are not needed even though thousands of people are dying each day, millions more are being infected each week, tens of thousands of small businesses are closing permanently, and our cities and States are struggling? Does Ms. Yellen support Director Calabria's plans to fundamentally remake the housing markets, where millions of people are struggling to pay their mortgage and rent each month? Secretary Mnuchin?

Secretary MNUCHIN. Again, let me first comment on—and in all due respect, I believe I am following the law. Section 4029 makes very clear that on December 31, 2020, the authority provided under new loans, guarantees, or other investments shall terminate.

Chairwoman WATERS. Thank you very much. I am going to reclaim my time.

Do you agree? Do you agree, Mr. Powell?

Secretary MNUCHIN. Let me just continue. The transfer of the funds is not up to me. When funds come back, they go into—

Chairwoman WATERS. Reclaiming my time, I need to have an answer from Mr. Powell. Do you agree with Secretary Mnuchin?

Mr. POWELL. The Secretary has sole authority over the CARES Act funding under the CARES Act. The Fed is not involved in that. His reading of the law, thus, is the authoritative one, and we accept it.

Secretary MNUCHIN. I would also just say, if I was politically-motivated, I wouldn't have extended the four facilities in deference to the Fed's view that were non-CARES Act facilities. So, had I been trying to be political, I would have terminated those.

Chairwoman WATERS. My time has expired.

I now recognize the distinguished ranking member, Mr. McHenry, for 5 minutes for questions.

Mr. MCHENRY. Secretary Mnuchin, let me just give you a moment to answer. It sounds like you have additional things you want to explain in your reading of the CARES Act. The CARES Act expires on December 31st of this year. That is in the law. So, let me give you the opportunity to give a full answer on your decision with the Exchange Stabilization Funds.

Secretary MNUCHIN. Thank you very much. There are three sections I direct people to. First, Section 4029, which is the termination date of December 31st of 2020 to make new loans, loan

guarantees, or other investments shall terminate. That is perfectly clear.

Second, Section 4003, which references deposit of proceeds. So, when proceeds come in, we allocate proceeds. Whether it is the return of an airline loan or money from the Fed, we allocate it very clearly in Section 4003.

Third, as the Chair referenced, Section 4027, which references if there was money left over, okay. And there are limited uses of what that money can be, either expenses or follow-on investments on existing loans. So, if we had to make an advance on an existing loan to an airline, that is under Section 4027, and any money on 2026 will come back vis-a-vis that.

So, again, Section 4003, Section 4027, Section 4029, and, again, I personally negotiated this language. And, again, Congress has the ability to change this if they think the money should be spent otherwise.

Mr. MCHENRY. Secretary Mnuchin, you and I talked regularly during those negotiations. I was a strong advocate for as large an Exchange Stabilization Fund dollar amount as possible so that both the Treasury and the Federal Reserve would have maximum firepower to put out what we did not fully understand would happen in the coming weeks or coming months with the nature of the virus.

So, we, in the midst of this negotiation, had a very, very large Exchange Stabilization Fund (ESF). Absent the CARES Act's \$454 billion in the Exchange Stabilization Fund, how many dollars are allocated to the Exchange Stabilization Fund?

Secretary MNUCHIN. Again, we allocated something like \$20 billion from the ESF for the pre-CARES facilities prior to the CARES Act. As I said, in deference to the Fed, those facilities don't have this restriction and still exist. And there is still something like an additional \$50 billion that could be used in the future for emergencies, which would support another \$500 billion.

And, again, I want to thank Congress for giving extraordinary authority to the Secretary of the Treasury for \$500 billion. As people have noted, many people criticized that authority. And I am merely following the law and returning that authority back, as Congress intended.

Mr. MCHENRY. Chairman Powell, these facilities of the Fed served a very important purpose in the early days. Their utilization in recent months has not significantly changed in dollar value of Fed lending facilities, and so the four remaining facilities are still important as a lender of last resort facility, of course.

I want to thank you for your work to stand up those facilities and your work in the last 8 months of this year to stand up more facilities than were stood up in the fullness of the financial crisis of 2007, 2008, 2009, 2010. You stood up more facilities in 8 months—well, actually, in 3 months, than they did in 4 years. So, I thank you and the staff of the Federal Reserve for your solid great work to support our economy and to ensure that this health crisis, that has become an economic crisis, did not become a financial crisis. I want to commend you for that.

Finally, I want to note that I have consistently been an advocate of the independence of the Federal Reserve for making monetary

policy and supporting our economy. I do think it is important, an important hallmark, whether it was Chair Yellen in your seat, Chairman Powell, or your service as Chairman of the Federal Reserve, that we honor the independent policymaking and monetary policy decisions of the Federal Reserve. And I want to thank you for your leadership.

I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Guam, Mr. San Nicholas, who is also the Vice Chair of the committee, is recognized for 5 minutes.

Mr. SAN NICOLAS. Thank you, Madam Chairwoman.

Chairman Powell and Secretary Mnuchin, thank you so much for making time to be with us here today. I wanted to open with some questions regarding the Main Street Lending Program (MSLP), Mr. Chairman. Are you familiar with how much has been authorized for the MSLP at this time?

Mr. POWELL. Yes, I am. We made about \$5 billion in loans, a little better than \$5 billion in loans.

Mr. SAN NICOLAS. Okay. So, we have about \$5 billion out there in the MSLP. Now, those programs are administered by participating banks, correct?

Mr. POWELL. Yes.

Mr. SAN NICOLAS. Are the banks—

Mr. POWELL. Put it this way: We work through the banking system. We access borrowers through the banking system. We administer the overall program, but the banks are facing off against the actual borrowers.

Mr. SAN NICOLAS. Right. So, these borrowers who are receiving MSLP funds, are they required to be investment-grade borrowers?

Mr. POWELL. No.

Mr. SAN NICOLAS. And that just brings me full circle, Mr. Chairman, because the last time we spoke, I was discussing the Municipal Liquidity Facility and the Fed's inability to allow municipalities that are below investment grade to be able to access that liquidity.

And it was mentioned in our hearings that the Federal Reserve does not provide funding to noninvestment grade entities. And yet, through the MSLP, indirectly, the Federal Reserve, as you have mentioned, is willing to do so for private sector entities.

Mr. POWELL. As you will recall, with the Territories, there are no investment grade, overall sovereign investment grade. But we worked with you and your office to work with one of the below sovereign level facilities. The name of it doesn't come to mind. And we also worked with you to be in touch with the Treasury Department under various loan programs that might be useful.

But, no, the overwhelming majority of municipal borrowers are investment grade, and we did limit the facility to that.

Mr. SAN NICOLAS. The reason why I am raising this point, Mr. Chairman, is because I just wanted to highlight the inconsistency in the policy, because if investment grade is a requirement for the Federal Reserve to be providing financial support, particularly as the lender of last resort, and it is not imposing that same requirement on private sector entities that are accessing the MSLP, I

again beg the question, why are we doing so for municipal entities trying to access the Municipal Liquidity Facility?

I appreciate your staff trying to work with us in looking for workarounds in this environment, but, it is just so glaring, Mr. Chairman, that these private companies are not investment grade, and they are able to access the support. I am glad they are; I want them to. But we are not allowing municipal entities who are not investment grade to be able to access the specific facilities that we set up for our municipal circumstances.

I just wanted to put that in the record, Mr. Chairman. I am hoping that you can go back to the table and reconsider this, given these issues that we are bringing to light. And at the end of the day, we need a solution for our municipal entities that are below investment grade, but are in the same boat as all of these private sector entities that are able to access capital through the MSLP.

Thank you, Madam Chairwoman, and I yield back.

Chairwoman WATERS. Thank you very much.

The gentlewoman from Missouri, Mrs. Wagner, is recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman.

And welcome, Secretary Mnuchin and Chairman Powell. First, I would like to thank you both, both you and your staff for your service to our nation and your tireless efforts during this pandemic to implement the CARES Act and for propping up the Federal Reserve's emergency lending facility.

While economic data continue to trend in a positive direction and we do know that credible and safe vaccines are just weeks away, the surge in cases and lockdowns occurring across the country could result in our economy backsliding again if we do nothing. I want to reiterate the urgency, the overdue urgency for Congress to provide immediate targeted relief now, not next year. It should have been months and months ago. Our nation's hospitals, small businesses, schools, many of our hardest-hit industries, and certainly those who continue to be unemployed, cannot continue to wait any longer for relief.

Just this week, St. Louis County, which I have the privilege of representing, reported an average of 660 new cases being added every day, with a total of 51,324 confirmed coronavirus cases as of Sunday. Many of my constituents in Missouri's Second District are under a mask mandate, and restaurants and bars have been completely shuttered and are closed down. Capacity limits of gatherings are down to 10 people.

Our families and our businesses are asking Congress for additional relief to combat this health crisis. Hospitals are filling up, and many businesses are worried that they will not survive. They are reaching the desperation point. We must stop playing partisan politics and come to a bipartisan agreement to provide a direct COVID-related stimulus and support now.

Chairman Powell, according to the data you are seeing, what parts of our economy are most in need of fiscal stimulus measures provided by Congress?

Mr. POWELL. Thank you. There are many sectors that could use some help, and, of course, those decisions are really up to you and the Administration. But I will just mention quickly, I would start

with the labor market. I think we ought to remember that, despite the rapid progress in getting people back to work, which is so welcome, there are still 10 million people who are out of work because of the pandemic. And, that is more than lost their jobs in all of the global financial crisis 10 years ago, which at the time was the biggest recession that we had had in a long, long time.

So, there is a lot of work left to do there. The unemployment insurance programs are expiring at year's end. I think that is an area where I would certainly look.

Another thing that comes up all the time in our discussions is smaller businesses. We met with a group of community bankers a week or so ago, and they were telling us there are just a lot of smaller businesses in their communities that will struggle to make it through this winter because, as you say, in Missouri's Second District—and it is true all over the country—COVID is moving up, and with the cold weather, people are staying in, and it is going to be tough on a lot of small businesses. That is another place where I would look.

Finally, I do think for State and local governments, and this differs State to State, revenue is down, and maybe not so much in some States, but in some States by a lot, and costs are going up. And I think they deliver critical services. They are living under balanced budget requirements, and so they lay people off, and they have laid off more than a million people already. So, that is another area where I think it would be profitable to look.

Mrs. WAGNER. Thank you, I appreciate that.

Secretary Mnuchin, I will ask you a similar question. You have mentioned the need for a targeted fiscal package with \$455 billion in unused funds from the CARES Act that did need to be returned to Treasury, given the law.

How do you suggest we appropriate this money to support the most-vulnerable segments of our population?

Secretary MNUCHIN. My single-highest priority would be to activate the \$140 billion in PPP funds that are not spent, that we could immediately send out to the hardest-hit small businesses whose revenue is down dramatically.

I also think Congress should consider extending some of the unemployment insurance programs that expire at the end of the year.

Mrs. WAGNER. I appreciate that. And the Paycheck Protection Program is estimated to have saved more than 50 million jobs, including many jobs across Missouri's Second Congressional District.

Chairwoman WATERS. The gentlelady's time has expired.

Mrs. WAGNER. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Illinois, Mr. Casten, is recognized for 5 minutes.

Mr. CASTEN. Thank you very much. We really appreciate you all being here today.

I was really pleased that the Federal Reserve's financial stability report identified climate change as a risk to financial stability. The report stated that, "different sectors of the economy and geographic regions face different risks that will diverge from historical patterns." It also said that levered financial institutions may be exposed to losses from disasters made more likely by climate change.

Chairman Powell, while there is more to explore about how to incorporate these risks into modeling, do you think it is appropriate for financial institutions to incorporate climate risk into credit risk assessment?

Mr. POWELL. Let me say this for starters: Climate change is an important issue. I want to say that society's broad response to climate change really has to come from elected Representatives. I think there is a role for the Fed here, and we are working our way through understanding what that will be.

But one thing is the public will expect that, in our supervision and regulation of financial institutions and financial market infrastructure, that they will be resilient, we will make sure that they are resilient to climate change risks. And I do think that it does fall on banking institutions and CCPs and other financial market infrastructures to evaluate that and incorporate it in their own operations and also, I would think ultimately, in the credit that they extend.

Mr. CASTEN. I think I will take that as a yes, because I was really just asking if it was appropriate for financial institutions to incorporate. What role the Fed has is, of course, a separate question.

I certainly agree with you, and I asked the question because I am really concerned with the OCC's latest rule that would prevent banks from integrating climate-related risks into their credit assessments, despite the fairly significant financial risk that climate poses.

The OCC rule specifically says that the risks of lending, "would not change based on the sector in which the firm operates," which is categorically false. I don't know how you would tell banks that somehow they need to ignore the dynamics in the sector without imposing significant systemic risk on the banking sector, not allowing banks to account for the sector of the economy where it sits just defies logic and market fundamentals.

The report also stated that, within the financial system, increased transparency, through improved measurement and disclosure, would improve the pricing of climate risks. What additional transparency would be helpful to appropriately assess the overall risk to the financial system due to climate change?

Mr. POWELL. I am glad you read that box in our Financial Stability Report. We are really at the beginning of the process of thinking our way through these things, and so are other market regulators and central banks and financial institutions around the world.

The point there was that we are going to need transparency about how financial institutions are thinking about these risks, how they are incorporating it in their business model. We don't actually regulate transparency. That is really more of a market regulator job, what is a required disclosure.

I think we are all moving in that direction, but in terms of the interaction between financial regulators and financial institutions, we are at the beginning of the work.

Mr. CASTEN. Would a standardization of climate-related risk disclosures from publicly traded companies be useful for you in order to continue that work?

Mr. POWELL. I think that is certainly where we are headed over time. Again, it is not our responsibility. That would be the market regulator's responsibility. But I do think that is where we will be going.

Mr. CASTEN. Thank you. And I yield back the balance of my time.

Chairwoman WATERS. Thank you.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Madam Chairwoman.

Chairman Powell, some in the press this morning and some of my colleagues have seemed to try to make the argument that you and the Treasury Secretary are in disagreement about the Exchange Stabilization Fund, but I don't detect much of a disagreement.

What I heard the Secretary say is that his decision to not extend the \$430 billion left in the Exchange Stabilization Fund is rooted in his interpretation of the statute of the CARES Act. And what I heard you say is that you believe that the Secretary, under the law, has the authoritative interpretation of that and you accept that.

Now, obviously, you stated yesterday that you think it is perhaps premature to be pulling back from emergency lending programs, but I heard the Treasury Secretary say that it is within Congress' ability to authorize that, so I don't see a disagreement here.

But given the modest takeup in some of the emergency lending programs, particularly Main Street, wouldn't it be wise for Congress to repurpose at least some of that \$430 billion towards what, admittedly, has been an effective program, the Paycheck Protection Program?

Mr. POWELL. I hope you won't mind if I use just a couple of seconds to clarify what is going on.

Mr. BARR. Sure.

Mr. POWELL. As I said earlier, the Secretary has sole authority over CARES Act funds. He reads the statute and reads it to say that there is no support for lending after December 31st. We accept that. We don't have a role in reading it. That is one thing. Our thinking is not about the CARES Act money; it is more about support for the economy.

Mr. BARR. Sure.

Mr. POWELL. We were concerned that the public might misinterpret this as the Fed stepping back and thinking that our work is done, and that is very much not the case. So, we needed to send a signal to the public to that effect.

And, as the Secretary pointed out in his letter and as we pointed out in our letter, there is Exchange Stabilization Fund money that is available to support the reestablishment of these facilities or other facilities, if they are needed and they meet the legal requirements and that kind of thing.

Mr. BARR. Let me just ask this, though: Wouldn't it be wise for Congress at this point, before the end of the year, to repurpose some of those CARES Act funds towards the Paycheck Protection Program, given the concerns of the small businesses that you referenced?

Mr. POWELL. I would just say that what I am hearing from across the aisle and on both sides of the Hill is the desire to do something to fund these causes, as the Secretary just talked about, and others. And I think that would certainly be a help for the economy. As to where that money comes from, that is really up to you.

Mr. BARR. One area where there is, I think, significant bipartisan support is for streamlining the forgiveness process. A recent survey in Kentucky found that 27 percent of community banks in Kentucky would not participate in a new round of PPP without streamlined forgiveness and clear rules of the road.

Many of the businesses in my district who have applied for forgiveness tell me that the process from the Small Business Administration (SBA) is slow and cumbersome. It is a big problem if lenders will not participate in a second round because of inadequate streamlining of the forgiveness rules.

Secretary Mnuchin, you previously indicated your support for legislation to streamline PPP forgiveness. Is this still the case, and what more can we do to ensure participation by community lenders in a new round of PPP?

Secretary MNUCHIN. I do support that. And we have created three different forms for forgiveness, using what authorities we have, and making it as simple as possible for loans that are less than \$50,000.

But I know there is bipartisan support to pass a bill. I believe it is all loans \$150,000 or less. And we fully support that, subject to audit.

Mr. BARR. Thank you.

Chairman Powell, the statutory language in the CARES Act temporarily suspends accounting rules related to troubled debt restructuring (TDR), and that expires on December 31st. It is important that Congress extend this important tool to allow lenders to continue to work with their customers.

What authorities do you have at the Fed to extend TDR relief administratively versus what Congress must do to ensure lenders can continue to accommodate borrowers?

Mr. POWELL. We actually don't have authority to extend TDR. It is an accounting rule. We have a lot of authority, though, and we will use it to make sure that banks continue to work with their borrowers, to encourage them to do so, I should say.

Mr. BARR. There is some uncertainty among the auditing community about whether life insurers would qualify for TDR relief under CARES. This is a problem, because insurers make up over 13 percent of the commercial real estate lending market, a sector that is deeply impacted by the pandemic.

Chair Powell, do you agree that life insurers, given their participation in the commercial real estate lending market, should qualify for TDR relief?

Mr. POWELL. I would have to check on that, and get back to you. Thanks.

Mr. BARR. We think that is an important thing to look into.

My time has expired. I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from New Jersey, Mr. Gottheimer, is recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Madam Chairwoman.

And thank you, Chairman Powell and Secretary Mnuchin, for being here today.

The COVID-19 pandemic, as we have been talking about, has caused ongoing global health and economic crises. While certain aspects of our economy are recovering, millions of Americans and thousands of my constituents are in dire need of help. We can't go home from Washington, given what is going on, without risking a double-dip recession.

As you said earlier this month, Chairman Powell, further support is likely to be needed to avoid another spread of the virus, and to help individuals. We are obviously in the lame duck session of Congress. The American people have waited long enough. Our families, our businesses, and our communities are all suffering, and it would be unconscionable for any party to walk away from so many who are hurting right now.

Yesterday, the Problem Solvers Caucus joined a bipartisan group of Senators in releasing a new \$908 billion emergency short-term stimulus package. It is intended to be a critical downpayment to get through the next months.

If I can start with you, Secretary Mnuchin, have you had a chance to review the framework, by chance?

Secretary MNUCHIN. First, let me just say I really appreciate the work that you have personally done, and the Problem Solvers have done, in trying to reach bipartisan solutions.

I did review it briefly yesterday after my testimony, and I will be spending more time on it today. Again, I would urge Congress to move quickly on the PPP, for which there seems to be enormous bipartisan support. But, again, thank you personally for your efforts.

Mr. GOTTHEIMER. Thank you, Mr. Secretary. And I appreciate the work we have done together on this. And obviously, I hope this will be something that if we can get the support here, the Administration might support.

If I could turn to Chairman Powell, would you speak to the urgency for fiscal relief, and what do you believe is at stake this winter for the economy and for families if we don't get an emergency package done in the next week?

Mr. POWELL. My view is that it would be very helpful and very important that there be additional fiscal support for the economy, really to get us through the winter. We have made a lot of progress faster than we expected, and now we have a big spike in COVID cases, and it may weigh on economic activity. People may pull back from activities they were previously involved in, or not get involved in new activities. So, I think it would be helpful if we could get that done, if you could get that done.

Mr. GOTTHEIMER. Thank you so much, Mr. Chairman.

Just to follow up on that, obviously, local governments are struggling now, through no fault of their own. It is putting law enforcement, firefighters, teachers and their [inaudible] on the line. What do you think the impact will be, if we can't get extra resources to our State and local governments, on the economy?

Mr. POWELL. These are really decisions for you, but I would say that State and local governments provide critical services. You

mentioned them. And State and local governments live with balanced budget requirements, unlike the Federal Government. And what happens when revenues soften and expenses go up is you see layoffs. And that was a big part of the story in the slow recovery from the global financial crisis a decade ago. We now have a little more than a million in layoffs so far.

State and local governments are some of the very largest employers in the country, and they provide those critical services. I think that is a worthy place for you to look, in terms of where support might be appropriate.

Mr. GOTTHEIMER. Do you see it as sort of, just to follow up on that point, a ripple effect? In New Jersey, about a third of our businesses already, small businesses, have already gone out, including about 28 percent of restaurants. When you add that with the revenue declines for the State and local governments, and all of these businesses coming out, what do you see on the other side of the virus? And, again, with the vaccine, but what can be the economic [inaudible] that all of this brings along after the virus is behind us?

Mr. POWELL. I think, as you suggest, that you have a near-term and medium-term difference. The near-term does look challenging through the winter. Small businesses—we are hearing all over that small businesses are really under pressure. And then, sometime in the middle of next year, it really does look like that may be the light at the end of the tunnel—we all hope so—and that the economy could be very healthy.

The problem is, of course, people who lose their homes now or businesses that go out of business, these are sometimes small businesses that might have generations of sort of human capital built up in their activities. And once they are gone, they can't just be recreated. So, you could lose parts of the economy, and that will mean a slower recovery.

I like to think of it as a bridge over this chasm that was created by the pandemic. We are trying to get as much of the economy and as many of the workers across that bridge to the post-pandemic economy. And I think we have done well at that, but there is still some work left to do.

Mr. GOTTHEIMER. Thank you so much.

And I yield back.

Chairwoman WATERS. The gentleman's time has expired.

The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman, for holding this hearing, and I thank both of our witnesses for all of your work throughout this pandemic. I sincerely believe that we will look back a decade, or 2 decades from now, and the work that you two did together will be looked at in the most favorable light. And so, I couldn't be more grateful for your service, so thank you both for that.

Look, we can see the light at the end of the tunnel with two vaccines awaiting approval, and I think the bridge comment is exactly correct. We are looking to bridge from now until, call it April 1st or whenever that is. And I was pleased to join a group of bipartisan and bicameral Members yesterday as my colleague, Mr.

Gottheimer, just mentioned, with the Problem Solvers Caucus to hopefully provide that bridge, and I hope we will be able to do that.

Chairman Powell, before I move into some questions on that, going back to the Exchange Stabilization Fund a bit, the main purpose was to provide liquidity to the financial system to stabilize the financial system. As these programs expire, do you see the same or similar risks to the liquidity inside the financial system as you did, say, back in March or April, or do you feel like we are in a much better place today?

Mr. POWELL. We are clearly in a much better place. To be clear, the utilization of these facilities, most of them, is very, very low now. Nonetheless, we see them as serving a backstop function that a central banker would want, and we would want to leave that backstopping function in place for some additional period of time but not forever.

If you look back at what we did in the global financial crisis, we left them out there until we were well past the difficulty, and then we unplugged them, put them in the attic, and put them away. None of them became a permanent feature of the landscape, and we hope these don't either. So, that is the way we think about it.

Mr. GONZALEZ OF OHIO. Thank you. That is helpful. And hopefully, as we debate the next package, we can consider that.

Secretary Mnuchin, in recent months, we have heard Speaker Pelosi on multiple occasions state effectively that nothing is better than something with respect to additional relief. In your estimation, is nothing better than something for my constituents back home?

Secretary MNUCHIN. No. Something is clearly better than nothing. And, again, I would urge Congress to do something, if it is just the PPP or more.

Mr. GONZALEZ OF OHIO. And, of course, that is an obvious statement, which I think everybody knows, but for whatever reason, the Speaker has chosen that path. My understanding is you have continued dialogue with her. I am not going to ask you to divulge sort of the specifics of those conversations, but you have been involved in a lot of deals in your life, certainly as Treasury Secretary.

As you have had these discussions, how would you characterize them with respect to willingness to actually get a deal done? Because I think there are a lot of people who like to talk around here, but when it gets down to it, actually don't do that much with respect to closing a deal. How would you characterize the discussions?

Secretary MNUCHIN. I would say the good news is when we really needed to get this done last March, it got done with overwhelming bipartisan support. Republicans and Democrats came together in an unprecedented response. When we needed to extend the PPP, people came together in an unprecedented response.

Unfortunately, since that period of time, things for which, in my opinion, there should be absolute bipartisan support, and we could get done, unfortunately, the Speaker has had—a half a loaf is not good enough and wanted a full loaf. So, again, I would encourage Congress, particularly over the next few weeks in the lame duck, let's try to get something done.

Mr. GONZALEZ OF OHIO. No. I couldn't agree more, and I—again, to state another obvious point, my colleagues on the other side of the aisle are in the Majority. And in order for this to actually get done, we are all going to have to come together to do it, but really, the pressure needs to come from them. And I hope that they will use the leverage that they have to encourage the Speaker to put a real bipartisan bill forward, because as Chairman Powell said, and as you have said, as common sense demands, it is obvious that we need a bridge here, that there are people struggling. There are small businesses struggling. There are people who are unemployed who are struggling. And I can almost guarantee you to the person that every single one of them would prefer something to nothing. And I hope that this body will come to common sense and actually get that done.

And with that, I yield back.

Chairwoman WATERS. Thank you.

And I object to all of the fault being placed on the Speaker's back. I would advise the President to get involved and get off the golf course.

Mrs. Axne, you are now recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman, and I thank both of our witnesses for being here.

As we all know, we are in dire straits right now. Iowa has now had increasing unemployment claims for 6 straight weeks. And, of course, I would like to remind everybody that we need to pay attention to the level of unemployment, not just the direction. This is all happening when week after week, we see initial claims higher than the worst that we saw in the Great Recession. That is 36 weeks in a row where we have seen record unemployment claims across this country.

Meanwhile, The Century Foundation recently estimated that 12 million people would lose their unemployment benefits the day after Christmas if we don't act. That seems very terrible for this country.

Chairman Powell, what are the economic impacts of removing that support at a time when this recovery is so fragile?

Mr. POWELL. This is if the unemployment programs run out and expire at the end of the year. We would be concerned that the unemployment rate for people in the bottom quartile, for example, is about 20 percent still, and those are people with relatively low savings, low wealth. And we would be concerned that they would be vulnerable to losing their houses or their rental and just be in a very difficult place. So, we think that is an appropriate place to look for further help.

Mrs. AXNE. I appreciate that. As we all know, 1 in 8 Americans are going hungry, more than 3 million businesses have closed, and we are approaching 100,000 people now hospitalized with COVID. So I am wondering, for either one of you, does seeing this kind of need and the discussion that we have had today show the importance of passing another COVID aid package? And how quickly do we need to get that done?

Mr. POWELL. I would just urge, as the Secretary has done, that this is a good time. This would really help the economy through these winter months and beyond. And, again, we can see the vac-

cines coming, but we have a bit more of the bridge to build, and I think it would be very important for the economy to receive that help.

Secretary MNUCHIN. I would agree with that, as I have echoed.

Mrs. AXNE. Thank you.

And, Secretary Mnuchin, I did want to discuss the CDC's eviction moratorium that currently expires on December 31st. A study recently showed that 430,000 cases of COVID and more than 10,000 deaths are due to lifting the earlier State and local eviction moratorium. Are there plans to extend that to possibly protect 10 million households from eviction this January?

Secretary MNUCHIN. I think, as you know, that wasn't our first choice. Our first choice was really assistance to those people, but I will discuss that with the President, and extending it.

And, Chairwoman Waters, I have been speaking to the President every day and updating him on the state of the negotiations. He would like us to see additional funding.

Mrs. AXNE. Thank you. I hope we can get that done quickly so that we don't have a 20-day gap here where millions of people are going to get evicted. Soc, please get back to us and the chairwoman on what we can expect from that. Thank you.

I would also like to discuss what you are doing with the \$450 billion of funds for the CARES Act. I know we have had some discussion here. I am going to set aside the question of whether what you are doing is legal, because I want to get into why you are doing this. One explanation I have seen is that it's because you think Congress should use this for fiscal aid, and I don't disagree with that.

The problem with this, though, is that if Congress wants to reappropriate money from the Exchange Stabilization Fund (ESF), we can do that the same as we can from the General Fund. The only real difference I can see is that leaving it in the ESF makes it a heck of a lot easier for a future Treasury Secretary to use this money quickly to provide for economic support. So, why are you choosing to make it harder to support the economy in the future?

Secretary MNUCHIN. I just want to clarify, because there is a bunch of confusion. Whether it sits in the general account, whether it sits in the ESF, all of this is completely governed by the law. And as I have said, I extended the pre-CARES Act facilities. If I was looking to do something that was political, I wouldn't have extended those.

My result in not extending the CARES Act is merely an administration of my obligation under this law. It doesn't matter what account it is in. That has nothing to do with it. The money is administered pursuant to the law. And if Congress wants to change the law, that is fine. And the reason why I believe Mitch McConnell has put some new language in isn't in my interpretation of the law; it is because many of you seem to be confused and he wants to clarify it.

Mrs. AXNE. Reclaiming my time, Thank you, Mr. Secretary, but that is just not accurate. The CARES Act is very clear that existing investments can remain there, and that is what you have made happen with the Fed's facilities, so that answer isn't acceptable.

Why are you looking for a way not to help American people right now? This isn't your money; it is taxpayer money, and it should be quickly available to the American people right now when we need the help. So, I see you undermining the American people on your way out the door. You need to reverse this decision so that these programs can keep supporting people.

Chairwoman WATERS. The gentlelady's time has expired.

Mrs. AXNE. Thank you for your service, and I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Chairwoman Waters, and Ranking Member McHenry. And I thank you, Secretary Mnuchin and Chair Powell, for being here today for this third oversight hearing required by the CARES Act. I want to thank you also for the great work by both the Department of the Treasury and the Federal Reserve throughout this pandemic response. Your fast action has allowed businesses in my district in Tennessee and across the country as well to keep their doors open, and to keep employees on the payroll.

I also want to underscore the importance and impact of the CARES Act on stabilizing the economy. We continue to see strong economic recovery, and I hope we can continue that trend as we work towards the great American comeback.

Congress has already provided approximately \$1 trillion through bipartisan legislation, including the CARES Act, to stabilize State and local economies and support communities, including frontline workers, teachers, students, school employees, and employers and employees.

In your testimony, you pointed out that \$455 billion in unused funds remain from the CARES Act. Back in Tennessee, folks are talking about how these funds sit unused while House Democrats continue to discuss spending an additional \$3.4 trillion, and that is with a "T," trillion, in the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act.

In Middle Tennessee, there have been several industries that are enjoying their best year ever while others have been completely devastated by the government-imposed shutdowns due to the coronavirus pandemic. The American private bus and motor coach industry is one of the latter. The motor coach industry plays a vital role in our travel, tourism, and music industries, and provides nearly 600 million passenger trips per year. In the wake of the pandemic, nearly all of the 3,000 companies in the industry at some point were completely shut down, 36,000 vehicles were parked, and most of the over 88,000 employees were laid off.

We have billions of dollars sitting unused, and yet this industry still needs relief. Congress must act to provide targeted relief.

Secretary Mnuchin, as a proponent yourself of targeted relief, can you detail what you would do to provide targeted aid to this devastated industry?

Secretary MNUCHIN. Yes. And let me just say, there is more than the \$450 billion unused. There is actually another \$140 billion in PPP on top of that. But I would support \$20 billion in additional money in payroll support to the airlines, identical to what we have

done before in the CARES Act. I think that would be very meaningful in terms of employment and saving the industry.

Mr. ROSE. And I appreciate that, but unfortunately, that assistance didn't reach the motor coach industry, and so they have not enjoyed that same targeted relief that we saw go to the airline industry.

Do you believe that the aid that you described should be included in an end-of-year package?

Secretary MNUCHIN. I apologize. I thought you were asking about the airlines. I would support additional aid to the motor coach industry as well.

Mr. ROSE. Thank you. Lastly, would you be willing to commit to having Treasury staff brief my staff and Senator Marsha Blackburn's staff before the end of the year on ways that Treasury might be able to provide targeted assistance to the bus and motor coach industry using any existing funds?

Secretary MNUCHIN. We would be happy to. I don't think, unfortunately, we can use existing funds, but we would be more than happy to go through that with your staff.

Mr. ROSE. Thank you.

Thanks to President Trump's Operation Warp Speed, and the great American innovative industries that we have, we are getting closer and closer to widely distributing a vaccine. In Tennessee, if the FDA authorizes emergency use, we are expecting to see distribution beginning in mid-December.

Chair Powell, could you speak to the effect that distributing an effective vaccine would have on our economy?

Mr. POWELL. Yes. Clearly, in the medium-term, which is to say, sometime in the middle of next year, we are not well-positioned to give a precise estimate of when that might be, people will regain confidence that they can gather in various activities that now seem too risky because of COVID, and that will have a very positive effect on economic activity, on spending, and on hiring. So, we do see very positive things coming.

I just would add, though, as I said in my testimony, the path is a little bit uncertain because we are still learning, going to be learning, about the efficacy of the vaccines and also about the speed of the rollout and who will get them and in what order and what the effect will be on the public. But, overall, I think we see a very positive set of developments coming at a somewhat uncertain time but not so long into the future.

Mr. ROSE. Thank you, Chairwoman Waters. I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from California, Ms. Porter, is recognized for 5 minutes.

Ms. PORTER. Thank you, Madam Chairwoman.

Chair Powell, would you say the economic crisis caused by the pandemic is over?

Mr. POWELL. I'm sorry. I couldn't hear exactly what you said. I apologize.

Ms. PORTER. That's okay. Would you say the economic crisis caused by the pandemic is over?

Mr. POWELL. No, I would not.

Ms. PORTER. Okay. How long do you think it will take before we know?

Mr. POWELL. I think—well, before we know, I think we will know a lot in the next 4 to 6 months about vaccines. The real issue, though, is what are going to be the effects of people whose jobs may have changed or gone away? It is really the new—the post-pandemic economy is going to be different, and we are going to learn a lot about that in the second half of next year. And I think those people are going to need help, some of them.

Ms. PORTER. And I think that is, Chair Powell, a very fair answer. We can't know unless we have a crystal ball exactly how the recovery from this is going to proceed.

Now, Secretary Mnuchin, who is also here with us today, apparently disagrees with you. In fact, Secretary Mnuchin is so certain that the economic crisis is over that he wants to ban the Fed from using any more of the \$500 billion that Congress set aside in the CARES Act to help the economy. Two weeks ago, he wrote to you to request that you return the remaining \$455 billion because our economy, in his opinion, simply doesn't need it anymore.

In response, you, Chair Powell, said that the outlook for the economy is extraordinarily uncertain. The Federal Reserve would prefer that the full speed of emergency facilities established during the pandemic continue to serve their important role as a backstop for our still strained and vulnerable economy.

Needless to say, it is highly concerning that the two people tasked with stabilizing our economy do not agree on whether the markets are stable. But it actually doesn't matter what either of you two think because Secretary Mnuchin simply doesn't have the authority to recall the \$455 billion.

I am reading aloud now from Section 4027 of the CARES Act: "On or after January 1, 2026, any funds that are remaining shall be transferred to the General Fund," in other words, sent back to the Treasury.

Secretary Mnuchin, is it currently the year 2026? Yes or no?

Secretary MNUCHIN. First, let me comment. I do believe there is an economic emergency.

Ms. PORTER. Secretary Mnuchin, reclaiming my time.

Secretary MNUCHIN. You are putting words in my mouth that are not correct.

Second of all, okay—

Ms. PORTER. Reclaiming my time.

Secretary MNUCHIN. —the answer is that 4027—

Chairwoman WATERS. The time belongs to the gentlelady.

Ms. PORTER. Madam Chairwoman?

Reclaiming my time, Mr. Mnuchin, would you start by answering my next question, and I will ask you others. Is today the year 2026? Yes or no?

Secretary MNUCHIN. Of course, it is not 2026. It's ridiculous to ask me that question and waste our time.

Ms. PORTER. Secretary Mnuchin, I think it is ridiculous that you are playacting to be a lawyer when you have no legal degree.

Secretary MNUCHIN. Actually, I have plenty of lawyers at the Department of the Treasury who advise me, so—

Ms. PORTER. Mr. Mnuchin—

Secretary MNUCHIN. —I am more than happy to follow up with Chairwoman Waters and the ranking member and explain all of the legal provisions. I am more than happy to make that access.

Ms. PORTER. Secretary Mnuchin, are you, in fact, a lawyer?

Secretary MNUCHIN. I do not have a legal degree. I have lawyers who report to me.

Ms. PORTER. Thank you.

Chair Powell, are you, in fact, a lawyer?

Mr. POWELL. I am a former lawyer, a recovering lawyer.

Ms. PORTER. You have a legal degree, correct?

Mr. POWELL. Yes, I do.

Ms. PORTER. Okay. Secretary Mnuchin, you are trying to tell Chairman Powell to send over any remaining funds right now, and you are claiming, falsely in my opinion, that is what the law says. And you have gotten into a disagreement with someone who is actually a lawyer—

Secretary MNUCHIN. Are you a lawyer?

Ms. PORTER. —and, Congress, which actually wrote the law about what it says. So, let's go through with what the law actually says.

Secretary MNUCHIN. Okay. Actually, I wrote the law with Congress, for what it is worth. And, by the way, it is not \$450 billion he is returning. I think it is approximately \$175 billion.

Ms. PORTER. Reclaiming my time, there was no question there.

Secretary Mnuchin, the CARES Act already says in exhibit—in Section 4027, it says that you have to stop making any new investments, new investments, in Fed lending programs at year's end. It doesn't say that the Fed programs must stop making loans or purchases. You are making a decision that is not aligned with the statute or congressional intent.

Chairwoman WATERS. The gentlelady's time has expired.

The gentleman from Wisconsin, Mr. Steil, is recognized for 5 minutes.

Mr. STEIL. Thank you, Madam Chairwoman.

Secretary Mnuchin, thank you for being here. Would you like to further your comments for just a minute on the last exchange there as to your rationale? I feel like you got cut off there for a minute.

Secretary MNUCHIN. Thank you very much. And, again, I think what I will do is follow up with the chairwoman and the ranking member so we clarify both 4027 and 4029. Again, I have had these discussions with the Senate. And, again, if there is any misunderstanding on this, again, this can be changed.

Mr. STEIL. I appreciate it. Thank you very much, and thank you for being here.

Chairman Powell, the Fed balance sheet currently stands at \$7.2 trillion, more than \$3 trillion above where we started at the beginning of the year. At the hearing on June 17th, I asked you how the Fed would manage its balance sheet going forward to mitigate inflationary pressures. I think we need to keep this issue in mind in light of the unusual monetary and fiscal tactics we have been required to employ this year to maintain the economic growth and stability that we have had.

When we spoke, you commented that during the last recovery, going back a ways, the Fed waited until it was, "well down the

path of recovery,” before deciding what to do. You asserted that the balance sheet, I think in your words, “doesn’t present issues at the current time,” suggesting that addressing the balance sheet size was not a priority.

It is now 6 months later. Our economy has begun to recover. The unemployment rate has fallen from approximately 10 percent to closer to 7 percent. Multiple vaccine trials have been successful, and we are expecting distribution in the not-too-distant future. We are not out of the woods yet, but there is cause, I think, for optimism about our economic recovery.

Could you comment on the indicators that you are watching closely as you consider taking steps to begin to restore the Fed’s balance sheet to its prepandemic levels?

Mr. POWELL. Sure. Our priority remains supporting the economy until we are really well through this. We are going to keep our rates low and keep our tools working until we feel like we really are very clearly past the danger that is presented to the economy from the pandemic. So, we are not considering pulling back any of our support for the economy, and we are not going to, until we feel very confident that it is no longer necessary.

The time will come to start thinking about balance sheet issues, and we have the model of what we did in the last financial recovery. And I was at the Fed during those years when we were considering that. That time will come. It is well into the future. I think we know how to do it, and that is slowly and carefully.

I think we have also seen all of these years of large balance sheets, and understandably, people were concerned after quantitative easing began that there would be inflationary pressures or market distortionary problems, but we really didn’t see them. So, we don’t want the balance sheet to be, in the long run, any bigger than it needs to be, but the main thing for us is to keep the support that the economy needs until we are confident that it no longer needs it.

Mr. STEIL. Thank you for your comments. If I can shift gears, Chairman Powell, as you know, LIBOR is linked to almost \$400 trillion in financial contracts, so the implications of the transition away from the benchmark are quite significant. I am especially concerned about some of the tough legacy contracts which reference LIBOR and are unchangeable.

On Monday, the Fed, the FDIC, and the OCC issued a statement recognizing some of these developments and reiterating, among other things, that banks should transition away from the U.S. dollar LIBOR as soon as practical. Are you concerned that some financial market participants may continue to reference LIBOR in contracts even after the relevant phase-out dates?

Mr. POWELL. As you know, we have provided guidance to market participants that we would strongly discourage the use of LIBOR for new contracts after the end of 2021. And then, there is a proposal which will go out for comment, but the idea would be that LIBOR would cease to be published, would cease to exist, except in the tail in the remaining outstanding contracts at June 30, 2023.

It is very important that people understand that LIBOR should not be assumed to continue to be published after that. That does mean there will be a so-called hard tail, and we do think that will

take legislation, and we have been working with Congress and also at the New York State level on that. So, we think that is important but not urgent from a time standpoint, but something that we will need to get done.

Mr. STEIL. Thank you very much. Thank you both for being here. I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from Massachusetts, Ms. Pressley, is recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman.

Chairman Powell, you have consistently publicly called for greater fiscal aid. You testified that, “the risk of overdoing it is less than the risk of underdoing it.” I agree with you here, Chairman Powell. This is not a question of either/or. We absolutely need further stimulus, but Congress has also provided the Fed with over \$450 billion to support lending to cities, States, and small businesses.

Now, in fact, in your March 23rd press release announcing these emergency lending facilities, you state 3 times that the Fed, “is committed to using its full range of tools and authorities.” Yet, in less than 24 hours, you gave up any resistance to Secretary Mnuchin’s arbitrary demand to shutter these facilities by the end of the year, including the municipal liquidity in Main Street lending facilities.

So, I want to just build on my colleague, Representative Axne’s, line and just further sort of enumerate and unpack the sobering landscape likely before us. So, yes or no, please, with the ongoing pandemic, do you expect the number of cities and States facing historic budget shortfalls to continue to rise? Chairman Powell, yes or no?

Mr. POWELL. I don’t really have a strong expectation on that, but that may be right.

Ms. PRESSLEY. I will take that as a yes.

Do you expect further State and municipal credit downgrades, making it more difficult for State and local governments to borrow? There have been 337 downgrades so far. Do you expect that to happen? It is a yes or a no.

Mr. POWELL. I think it is probable.

Ms. PRESSLEY. Okay. I will take that as a yes.

Are we facing an unprecedented wave of small business closures? Yes or no?

Mr. POWELL. I think that is uncertain. Unprecedented wave? I don’t know that we know that.

Ms. PRESSLEY. Okay. Is the rescue of small businesses essential to any long-term economic recovery? Yes or no?

Mr. POWELL. Yes. It is important.

Ms. PRESSLEY. And would failure to provide relief to cities, States, and small businesses further widen existing inequalities, including, but not limited to, the racial and gender wealth gaps? Yes or no?

Mr. POWELL. Look, I think it is—

Ms. PRESSLEY. Yes or no?

Mr. POWELL. I think it—I’m sorry. Yes-or-no questions for these questions—I am just going to answer you, which is that I think it is important that these groups—

Ms. PRESSLEY. Reclaiming my time.

Mr. POWELL. —get additional fiscal support. Thank you.

Ms. PRESSLEY. Please don't—I don't want you to filibuster here, okay, because these issues are of great import. And part of your job is forecasting, so I am leaning in on your expertise. So, again, yes or no, will this exacerbate racial and gender wealth gaps, failing to provide relief to cities and States and small businesses?

Mr. POWELL. I think there is a risk of that. I think there is a risk of that, yes.

Ms. PRESSLEY. Chairman Powell, the Federal Reserve lends at a ratio of 10 to 1, so if Congress set aside \$400 billion to cover any potential losses, you can lend up to how much to these facilities? What is that amount?

Mr. POWELL. Whatever 10 times the amount of equity that has been pledged, so it would have been several multiple trillion, \$4 trillion or so. Of course, that borrowing happened. It just didn't happen in the facility.

Ms. PRESSLEY. Over \$4 trillion. So, you have a responsibility to support maximum employment. Yet in the midst of a global pandemic, you have been complicit in eliminating over \$4 trillion in potential relief to cities, States, and small businesses. And then adding insult to injury, the Secretary wants to move this money to Treasury's General Fund, conveniently out of reach of the incoming Administration and in direct violation of the CARES Act.

I know there has been this sort of, Jedi mind trick going on here, but we know what our intentions are. We can read. And the funds are supposed to be available for up to 5 years, so I am not even sure why we have been going back and forth on that.

But I did also just want to ask about—let me for a moment turn to Secretary Mnuchin, just building on the line from my colleague, Congresswoman Porter, here. What does it state in Section 4027, subsection C, paragraph 2 of the CARES Act? I just want to make sure we are all operating with the same information.

Secretary MNUCHIN. Section 4027 allows, to the extent we have made, for example, an existing loan to an airline. If we need to advance additional money to that airline in a protective capacity, or if we have expenses, that is what 4027 applies to. And, again, it says very clearly that there are certain funds that can be used until 2026, and will continue to be available in Section 4027. Sections 4027 and 4029 work together. Section 4029 has the December 31st—

Ms. PRESSLEY. I will just reclaim my time. I am reclaiming my time because, I don't know, we must be reading a different text. So, Mr. Secretary, Section 4027, subsection 2, paragraph 2—

Chairwoman WATERS. The gentlelady's time has expired. Thank you.

Ms. PRESSLEY. Thank you.

Chairwoman WATERS. The gentleman from Texas, Mr. Gooden, is recognized for 5 minutes.

Mr. GOODEN. Thank you, Madam Chairwoman.

Secretary Mnuchin, thank you for your prior support for credit risk transfer (CRT) as a means of reforming Freddie Mac and Fannie Mae, as expressed in Treasury and the Administration's housing reform plan. Does that support still exist? And do Treasury

and the Administration still support CRT for the GSEs, and more importantly, the de-risking of Fannie Mae and Freddie Mac that protects taxpayers?

Secretary MNUCHIN. Yes.

Mr. GOODEN. Would you like to elaborate on that?

Secretary MNUCHIN. I think credit risk transfer is a very effective mechanism of supporting the institutions. I also think that capital accumulation is something that is very important, and ultimately capital raising, so that taxpayers are not at risk.

Mr. GOODEN. Thank you. As you know, I, and many of my colleagues in both Chambers of Congress and a variety of stakeholders who have filed comments, have urged FHFA to ensure a robust, risk-based CRT market in the new capital framework for the GSEs. And while I support the capitalization of the Enterprises, I have real concerns about the impact of FHFA's capital rule on the CRT market.

The Financial Stability Oversight Council (FSOC) and Treasury provided a brief 4-page review of FHFA's 400-plus page proposed capital rule with little to no analysis of the impact on the markets for CRT or mortgage-backed securities.

Do you think FHFA's capital rule provides adequate capital relief for CRT? And has Treasury, FSOC, or the Office of Financial Research examined the effects this rule could have on the CRT market or access to mortgage credit?

Secretary MNUCHIN. We have done some work on that, and we would be happy to follow up with you on it.

Mr. GOODEN. Thank you. I would appreciate that.

Mr. Powell, you were filibustered earlier. Did you have any further comments? The floor is yours. I will give it to you. I have 3 minutes.

Mr. POWELL. Thank you. I just would say that, for example, the municipal facility—the level of municipal borrowing is set to exceed the all-time annual record this year, and that is because of the backstop of this facility. You don't measure the success of the facility by the amount of lending it does. It succeeded in restoring borrowing in the markets at very low levels for municipalities and other State and local government entities across the credit spectrum: small; medium; and large. So, I would just say that I think it has been quite a success.

Mr. GOODEN. Thank you. I appreciate it.

Madam Chairwoman, I yield back.

Ms. DEAN. [presiding]. The gentlewoman from New York, Ms. Ocasio-Cortez, is recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you both so much for coming to offer your testimony today and your expertise.

Secretary Mnuchin, not to belabor the point, but I did want to dive back in here to Sections 4027 and 4029 that you are referencing. I do think it is important that we discuss this because you are bringing it up as the main rationale as to why you are kind of bringing these funds back into the Exchange Stabilization Fund.

So, first and quickly, Section 4027 of CARES explicitly states that unused funds are to be returned to the Exchange Stabilization Fund on January 1, 2026, correct?

Secretary MNUCHIN. That is correct, and that will occur on January 1, 2026.

Ms. OCASIO-CORTEZ. And that is with respect to the unused funds. Now, Section 4029—

Secretary MNUCHIN. No, it is not the unused; it is the unused funds in the ESF at that time, that is correct.

Ms. OCASIO-CORTEZ. Yes. Thank you.

Section 4029 refers to rescinding authority to making new loans, right? So, the law explicitly does contemplate—it has that Section A, B, and C—and it does explicitly contemplate that remaining funding as of January 1, 2021, which is in just a matter of weeks, to be available for restructuring, modification, amendment, and administrative costs. Is that right?

Secretary MNUCHIN. That is correct.

Ms. OCASIO-CORTEZ. I was wondering if I could give you the opportunity to discuss, instead of choosing to return those funds—and you are choosing to return those funds, right?

Secretary MNUCHIN. No, I am not choosing to return those funds. Whether the funds are returned or the funds aren't returned, 4029 governs both direct and indirect. So, again, I could have allocated all \$500 billion on day one to the Federal Reserve. I allocated \$200 billion. It really is irrelevant. Section 4029 governs the same provision, whether money is sitting in any of the accounts. That was the purpose of 4029. If you don't read it that way for 4029, then it shouldn't have existed. There was no purpose to have the December 31, 2020, date. And, again, I personally negotiated these documents.

Ms. OCASIO-CORTEZ. I understand. And I am trying to seek some clarification because we are in such a desperate position. Given the unfortunate gridlock, I think if—that we are all kind of in—we are all aligned in interest in trying to figure out where we can explore maximum flexibility as offered by the statute, and so I am just curious.

Instead of choosing to kind of return—or rather, instead of returning these funds, instead of reading the interpretation as returning these funds to ESF, could you use, could we use this modification statute to recapitalize loans?

Secretary MNUCHIN. Recapitalize existing loans?

Ms. OCASIO-CORTEZ. Yes.

Secretary MNUCHIN. Again, in my example, we have made airline loans.

Ms. OCASIO-CORTEZ. Yes.

Secretary MNUCHIN. So, people are focusing on the Section 13(3), these facilities. This governs both the direct loans and the indirect loans. In the case of an airline loan that we have already made, and we need to make protective advances after December 31, 2020, the statute allows us to do that. And, again, it doesn't matter whether I had allocated \$500 billion. I just want to put this in perspective. Of the \$190 billion I allocated, that would have done \$2 trillion of lending, I believe we have done about \$25 billion in total. So, this is irrelevant in the broader scheme of things.

Ms. OCASIO-CORTEZ. And to kind of turn to your airline example, are there other examples of advances that could be provided ahead of the sunset date?

Secretary MNUCHIN. Again, on any of the existing underlying loans. So if there is a Main Street loan that has already been made, and that Main Street loan needs a protective advance after December 31, 2020, that can be done. The difference between Sections 4027 and 4029 has to do with existing loans versus new loans. So, again, it is very clear. Section 4029 says that making new loans, loan guarantees, or other investments shall terminate.

Ms. OCASIO-CORTEZ. Thank you very much.

Ms. DEAN. The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman.

I want to first align myself with the comments from my colleagues on both sides of the aisle. We need to help small businesses across this country. It is critical. It is past time. Businesses in my district in the State of South Carolina are struggling. We have tourism-related businesses that are set back. We have businesses—bars, restaurants, yoga studios—that are struggling, and that is in South Carolina, where we are mostly reopened.

Here in D.C., they just went to 25-percent capacity for restaurants. The hotel I am staying in has permanently closed their restaurant and their rooftop bar until the restrictions are lifted.

We need to help the businesses that are being put out of work by the government. Government closures are helpful in certain cities, but in others, we need to safely reopen. And any business that is being closed because of the government must get relief. It is a taking, and it is wrong.

So, first, we need to get additional PPP loans. We need to help the businesses that are struggling the most, but we have to be surgical about it. We don't need to paint with a broad brush.

To that end, my first question is to both of you. There is no denying that the Federal Government has spent an exorbitant amount of money this year to combat both the health and economic toil of the virus. As our national debt climbs towards \$30 trillion, it could very well hit \$30 trillion next year between the next COVID relief package and deficit spending for next year, but we as policymakers are looking to provide targeted relief for our constituents.

How do we get the best bang for our buck? In other words, what type of economic relief or stimulus will be the most effective in preserving and creating jobs? And, secondly, how would you recommend policymakers address our mounting debt over the next few years?

Secretary MNUCHIN. I would say for small businesses, the simplest and most effective thing that can be done is to authorize me to use the \$140 billion sitting in the accounts of the General Fund for additional PPP loans. We spent a lot of time on 4027 and 4029. I, unfortunately, don't have the legal authority to spend this money, and I would like the legal authority. That would be the simplest thing to do.

Mr. TIMMONS. My next question is, is that enough? What about the businesses that have had 97-percent revenue loss, whether it is an event venue or a minor league baseball team or any other business that has been totally shut down? They are not looking at this as, we need more PPP loans. They are looking at it from the

perspective that the government has literally ended all revenue. What do we do for those businesses?

Secretary MNUCHIN. The good news about PPP loans is, if you use the money correctly, they go and immediately become grants and they are forgiven. And I do agree, we should pass legislation to simplify the grant forms. And I agree with you, stages, restaurants, entertainment business, and \$140 billion isn't enough. I would allocate \$300 billion to this immediately.

Mr. TIMMONS. I couldn't agree with you more, and I appreciate that sentiment, and I urge everyone involved that we pass this immediately. It needs to be done before Christmas. And I don't think it is productive talking about whether the President is playing golf or not. Everyone is at fault. Politics are what is to blame, and we need to rise above the politics and we need to get this done.

Secretary Mnuchin, yesterday, before the Senate Banking Committee, you indicated that Fannie and Freddie should not be released from conservatorship without appropriate capital. Can you expound on that a bit? Does that mean that they should have at least the required amount of capital under the FHFA's new capital rule? And would that be the minimum capital level or the minimum capital level plus the buffer specified in the 2020 rule?

Secretary MNUCHIN. Let me just be clear. Despite the fact that the Director and I are having conversations, we have made no decisions at Treasury whatsoever yet. We are contemplating, but there could be a scenario where at some point, between basically the zero capital they have and the full capital requirement, there would be a consent order, and they would be released subject to a consent order. But as I said yesterday, there has to be significant capital for them, in my opinion, to be released.

Mr. TIMMONS. Thank you.

I want to really thank both of you for all of the work you have done in the last year. It has been truly remarkable. And I am optimistic that we are going to get on the other side of this pandemic soon and get our economy back up and running.

And with that, I yield back. Thank you.

Ms. DEAN. The gentleman yields back.

The gentlewoman from Virginia, Ms. Wexton, is recognized for 5 minutes.

Ms. WEXTON. Thank you, Madam Chairwoman. And thank you very much, Secretary Mnuchin and Chairman Powell, for joining us here today and for all of your work during this pandemic.

Secretary Mnuchin, one of the facilities that you are allowing to expire at the end of the year is the Main Street Lending Program which, as we have discussed, has had a number of issues and I would submit has been really kind of a disappointment. It was designed to support up to \$600 billion in lending to small businesses and medium-sized businesses, but in 8 months, it has only supported about \$5 billion of loans to about 420 companies.

Do those numbers sound right to you, Secretary Mnuchin?

Secretary MNUCHIN. They do. And I would acknowledge that I am disappointed as well that there wasn't more take-up. It was something the Fed and Treasury worked very hard on, but it was very difficult to design a program that could really be used.

Ms. WEXTON. One of the loans that [inaudible] was to Wellshire Financial Services, which is a company that is in car title lending. And I assume you are familiar with this loan because it has been reported in the media lately. Are you familiar with this loan that was made?

Secretary MNUCHIN. I am really not familiar with the loan. I have seen certain things in the media, but I don't have access to the underlying loan documents and the underlying loan files that the Fed has.

Ms. WEXTON. So, you didn't have a role in making this loan because it was only between the lender and the borrower, right?

Secretary MNUCHIN. I had no role other than setting the policies with the Fed Chair for the facilities.

Ms. WEXTON. Okay.

Secretary MNUCHIN. And I assume the loan complies, but I don't know.

Ms. WEXTON. One of the policies, though, was that those loans would not be available to finance or lending institutions, correct?

Secretary MNUCHIN. I believe that is correct, but I am not familiar with the details of the loan, as I said.

Ms. WEXTON. I will tell you a little bit about it, because they were able to exploit a loophole in the law by organizing in Texas as a consumer credit access company rather than a lender, and they did that in Texas to avoid their usury laws there. And now, they have a \$25-million loan from the U.S. Government, taxpayer-funded, at 3 percent, which they are lending out to people at 350 percent.

Assuming that is correct, would you agree that this violates the spirit and the intent of the law and the regulations?

Secretary MNUCHIN. I would, and I would expect that loan will be reviewed and audited.

Ms. WEXTON. Okay. So you agree that it is not a good look, especially given that it has come to light that the owner of the company is a major donor to the President?

Secretary MNUCHIN. Again, as I have said, I don't know the specifics of the loan, but I agree, based upon what you are saying, that was not the spirit and the intent of the use of the loans.

Ms. WEXTON. Can I get a commitment from you here today that you will review that loan and consider clawing back the money?

Secretary MNUCHIN. You will have to get that from the Fed, because they administer the program. I don't administer it. I don't have that ability. But I am sure Chair Powell will respond to that.

Ms. WEXTON. Chairman Powell, can we get a commitment from you to consider clawing back the money, and to review this loan to Wellshire Financial Services?

Mr. POWELL. It is really inappropriate for me to try to comment on individual loans. Like the Secretary, I am not involved in the process. I will say this. People make representations. We set out clear rules, they have to be obeyed, and we will always look. And if they are not obeyed or if incorrect representations are made, then the consequences will follow. And we will look at all of the loans in that light.

Ms. WEXTON. Very good. Thank you.

Secretary Mnuchin, a lot of discussion has been taking place in this hearing today about whether these programs have to expire at the end of the calendar year, or whether you are allowing them to expire. And I understand that you are saying your reading and your interpretation is that they must expire, and you don't have any discretion in that. I can't help but suspect that had the results of the election for President been different, your interpretation would be different. But I would inquire, have you had an opportunity to speak to incoming Treasury Secretary Yellen?

Secretary MNUCHIN. I have.

Ms. WEXTON. Okay. Very good. And have you discussed with her your intention to end these facilities?

Secretary MNUCHIN. I have discussed it with her. We are cooperating with the transition. I had a very good working relationship with her when she was the Fed Chair. And I have advised her that my reading of this and my interpretation was nonpolitical and was following the law. So, yes, I did advise her of that.

Ms. WEXTON. And was she disappointed or did she disagree with your interpretation of the law?

Secretary MNUCHIN. She didn't reflect an interpretation one way or another.

Ms. WEXTON. Thank you very much.

I will yield back.

Ms. DEAN. The gentlewoman yields back.

The gentleman from Texas, Mr. Taylor, is recognized for 5 minutes.

Mr. TAYLOR. Thank you, Madam Chairwoman. I appreciate that. I appreciate this hearing, and I appreciate you gentlemen's hard work during an unprecedented 2020, one that we really didn't see coming.

I want to talk about the policy decisions that are being made in this building versus broad help, which is what we did in the spring, versus targeted help, which I think is something that we are talking more about. Heretofore, I have heard some reluctance to go to targeted specific help, and I will use airlines as an example. That is something we made a decision on in the spring, that we were going to give targeted, specific help to the airline industry, because there is a need there.

[Audio malfunction.]

Mr. TAYLOR. Madam Chairwoman, can we get that—

Chairwoman WATERS. If you would suspend for a moment until we get the audio straightened out.

I think you can resume now.

Mr. TAYLOR. Okay. Thank you.

And so as we think about—something I have been very concerned about is the hospitality space, largely because the unemployment numbers are so enormous. We are talking in the range of 10 million people who are currently unemployed as a result of COVID, and approximately half are just in one specific sector, in the hospitality space. So it is my concern or belief that we need to be targeted in this building.

And I will point out that the Problem Solver package that came out yesterday, the PPP reload, was designed specifically. It is a much smaller number by saying you have to have a 35-percent

drop in revenue, so that created a limiter of kinds to say, hey, if you are doing well, you are not going to be able to get a PPP reload. And I have businesses in my district that do telemedicine, and their sales are up 100, 200, or 300 percent because telemedicine is a big thing. They are doing better. They don't need a PPP loan. They still have business problems, but it is not a PPP reload that they need.

Chairman Powell, would you concur that it is time to begin to think more about specific, targeted help rather than broad help into sectors that are in harm's way?

Mr. POWELL. I think the timing and the scope and the components of this are really up to you. I would say I do see a number of areas, and I mentioned them earlier, including small businesses, that do need help, and I think that would be probably very helpful for the economy were that to happen.

Mr. TAYLOR. And I will point out it is probably better for the taxpayer rather than just handing out tons of money everywhere, to be specific.

Secretary Mnuchin, would you like to speak to the need of targeted assistance versus broad assistance?

Secretary MNUCHIN. Yes. I agree completely. And as you have rightly said, if we are going to do more PPP loans, we should have a provision that companies' revenues are down. That is pretty straightforward.

Mr. TAYLOR. Okay. I certainly appreciate your guidance and insight, and I will continue to advocate on that front.

And I have to admit I have been somewhat entertained by the discussion about Section 4029, which I have had to pull up and read just to make sure I was thinking about it correctly, and I will just read 4029(b). "On December 31, 2020, the authority to provide under this subtitle to make new loans, loan guarantees, or other investments shall terminate." That seems very clear in terms of—that is 4029(b).

So, the ability for you to make new loans, Mr. Secretary, new loans, loan guarantees, or other investments terminates. That is what the law says. I think that is what you are saying.

Secretary MNUCHIN. It is. And as I have said, if anybody on this committee doesn't think that is what it said, and they think that doesn't apply, then they would have given me unlimited authority to use this money forever.

Mr. TAYLOR. Sure.

Secretary MNUCHIN. And I don't know why 4029 would have been inserted. So, I haven't had anybody rightfully explain if 4029 doesn't—what was the purpose of it?

Mr. TAYLOR. Sure. And 429B, again, it could have said December 31, 2021, in which case it would go on for another year, but it is clearly the end of this year that is the termination of your authority under the law.

And I just want to say that I am a believer in equal protection under the law, and I commend you for following the law and reading the law and not trying to twist it into something that it was never meant to be. The law seems very clear to me, Mr. Secretary, and I certainly applaud your efforts to comply with it despite a lot of bizarre efforts to try to twist it into something that it is not.

Secretary MNUCHIN. Thank you.

Mr. TAYLOR. Thank you.

Secretary MNUCHIN. I wish we spent as much time talking about PPP loans as we have as Sections 4027 and 4029. And I would also just say, when we passed this law, we thought it was highly unlikely that we would need to be using these at this period of time.

Mr. TAYLOR. Thank you, Mr. Secretary.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you, Madam Chairwoman.

I want to thank Chairman Powell and Secretary Mnuchin for attending this hearing and for helping the committee with its work.

So, let's talk about January 1st, because we have much pandemic-related support that is going away right now unless action is taken. We also had last week, I think, 827,000 new unemployment claims. Again, going back to the rental assistance that is pandemic-related, that is scheduled to expire December 31st as well.

Chairman Powell, we are going to be in a bad place, I think, on January 1st. And even if there were a last-ditch effort to—by Congress to put something in place, what we saw in the CARES Act was there was a considerable lag time before we could actually get the help out to the American people, whether that was small businesses or people waiting for stimulus checks or supplemental unemployment benefits, working with the States.

Is there a power that you have, independent of Congress, in terms of appropriations? Let's take renters' assistance for right now, the forbearance that we might allow renters who don't have the ability to pay their rent. Of course, we would have to protect the small landlords, the landlords who are out there who are getting pressure from banks and mortgage companies to render payment to them, and then ultimately to the bondholders as well, that underwrote those mortgages and are expecting payments.

Do you have independent power that might provide relief in the short term until Congress can get its act together and come to agreement on a larger package similar to what we did in the CARES Act?

Mr. POWELL. Sir, we do have broad powers, but we don't have those kind of powers. Those are really powers that fall to the legislature. Nobody elected us. You created us under statute. You gave us very specific powers, and they don't involve—

Mr. LYNCH. I understand that. But I was here in 2008, and the folks on your side of the table were doing their darnedest to rescue Wall Street. And now, it is Main Street that is—and so, I am just asking for the same consideration and the same sense of urgency when it is regular workers or just average families who are struggling to pay their rent. I would just like to see that level of urgency and seriousness that I saw back in 2008 when we were trying to rescue the big banks. I have to be honest, I think that I see a little bit of laissez-faire with respect to average families. I don't see that sense of urgency.

And, Mr. Secretary, with all due respect, you seem way too eager to give away or give back or render back the resources that were

available. I didn't see a long and hard discussion about how we can get this money out to the people who need it. Rather, it was, well, this is what the law says, so I am going to do it. And I didn't see any extraordinary effort on the part of Treasury to find a way, going to court, asking for an interpretation to say, do I have the ability to continue this, these payments and this relief to the American people or am I prohibited from doing so, rather than huddling with the lawyers who work for you. And I have lawyers who work for me as well. I didn't see an extraordinary effort on your part to try to find a way to make sure that the incoming Administration has some resources to deal with this problem.

Secretary MNUCHIN. I just want to be clear. I spent the last 4 months trying to work with Congress to get additional legislation passed. I have been on probably a hundred calls.

Mr. LYNCH. We all have.

Secretary MNUCHIN. What people need is a fiscal response. These programs were not used. So, let me just be clear: People need—and, again, people need more PPP money. They need grants. They need airline support. They need unemployment insurance. These facilities were not being used. And I have worked every day to try to get Congress to pass more legislation. So, I don't appreciate that comment that I haven't worked hard.

Mr. LYNCH. Well, sir, I would just say that what I saw when Wall Street was on the hook was creativity to the nth degree in ways of repurposing money to make sure they got what they needed. And I would just—

Chairwoman WATERS. The gentleman's time has expired.

Mr. LYNCH. I yield back.

Chairwoman WATERS. The gentleman from New York, Mr. Zeldin, is recognized for 5 minutes.

Mr. ZELDIN. Thank you, Madam Chairwoman.

Secretary Mnuchin, feel free to use some of my time here to complete your thought. I will yield to you.

Secretary MNUCHIN. Thank you. I was just saying if I had any legal authority or I could get the President to sign an Executive Order tomorrow to send out the \$140 billion to small businesses that need PPP loans, I would do that.

And, again, for all of the conversations we have had on these facilities, which were barely being used, most of which did support big corporations, I might add, and not Main Street, enough money to Main Street, Main Street needs more money, grants, PPP. Thank you.

Mr. ZELDIN. Thank you, Secretary Mnuchin and Chairman Powell, for being here today. And thank you to Chairwoman Waters and Ranking Member McHenry for holding this hearing.

Secretary Mnuchin and Chairman Powell, I want to start off by saying thank you to both of you for your leadership during this pandemic, especially as it pertains to standing up and fine-tuning these needed liquidity facilities.

First off, I would share that, with regard to the Paycheck Protection Program, I have heard from business owners in my district, from local mayors and others about how the Paycheck Protection Program has not only saved small businesses and small business

jobs but saved the entirety of Main Streets in the First Congressional District of New York.

With regards to the facilities, the original Municipal Liquidity Facility term sheet excluded my home County of Suffolk where my constituents live, but the Federal Reserve and Treasury listened to the concerns that I and others raised about lowering the population thresholds for eligible issuers. This provided greater access to a much-needed backstop financing tool for many State and local governments and entities, like the MTA.

I want to say thank you for your attention to this critical market and the commitment to remaining vigilant of any problems as they arise, because we need all levels of government to work together. This is not a time to be Republicans first or Democrats first. This is a time to be Americans first.

Secretary Mnuchin, late one night, got on the phone with my local Democrat county executive to talk to us about the Municipal Liquidity Facility and getting eligibility for Suffolk County, and you listened to our concerns.

The Municipal Liquidity Facility is set to expire at the end of this month, and all unused CARES Act funds at the liquidity facilities, to my understanding, will be returned to the Treasury Department, but I want to make sure Congress, Treasury, and the Federal Reserve are working together and remaining vigilant into 2021 as well. To ensure adequate municipal debt liquidity, the Municipal Liquidity Facility should remain in operation into 2021, until we know for sure we are out of the woods.

The onus is not just on the Federal Reserve and Treasury. Congress needs to step up to the plate and get a COVID-19 relief bill across the finish line.

Secretary Mnuchin, I know how hard you have been working over the course of what has been many months, which is why I am glad that you had an opportunity here to help clear the record as to the allegations and the charges that were just being made in your direction. You have been working extremely hard, and I want to thank you for your efforts in negotiating the next bill.

Congress provided support for State and some local governments in the CARES Act, but limited the support for local governments with more than 500,000 in population.

Chairman Powell, in a Senate Banking Committee hearing in May, you talked about the negative effects on the overall economy that come about when State and local governments face serious fiscal constraints, citing evidence from the 2008 financial crisis. It is clear that fiscal solvency at all levels of government is important for economic recovery.

Can you elaborate on the importance of the health of all levels of government for the health and growth of the overall U.S. economy?

Mr. POWELL. State and local governments, as you suggest, provide critical services—fire, police, sanitation, all of those things that people depend on for public safety—and live under balanced budget requirements in essentially all of the States. So, what happens when costs go up and revenues go down is that they lay people off. They have laid off more than a million people so far. And

that was a big problem in the years after the global financial crisis. We hope it doesn't become a big problem here.

But these are critical government services, and, as I have said, it is up to Congress and the Administration, but I think that is an important area to look at for further support.

Mr. ZELDIN. Again, I thank you both for all of your efforts since we were first hit by this pandemic.

And again, thank you, Chairwoman Waters, and Ranking Member McHenry, for holding this hearing. I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from Hawaii, Ms. Gabbard, is recognized for 5 minutes.

Ms. GABBARD. Thank you very much, Madam Chairwoman.

Thank you both for making the time to come and have this discussion today.

Secretary Mnuchin, you made a comment about how you wish there were more questions about the PPP program. I wanted to ask you to talk a little bit about that today, given a comment you just made and also the news that has come out about how some of the largest businesses that qualified under PPP took the majority of the money.

So, as we look to a new stimulus package, whether it is this year or it comes out early next year, what improvements would you recommend that the PPP program take on to ensure that the majority of those dollars are actually going to the small businesses within our communities, who are barely keeping their heads above water, trying to survive?

Secretary MNUCHIN. Thank you. When we created the original program, the entire economy was shut down. But now that that is not the case, I agree with you, it should be much more targeted. I think it should be focused on the smaller businesses. I think it should be focused on a revenue decline.

Chairwoman Waters and I worked on a set-aside to make sure there was money available for underserved areas. I think that is something that should be done again. We have signed up many more Community Development Financial Institutions (CDFIs) since then that are ready to go.

I also very much support a program of investing \$10 billion to \$12 billion in CDFIs so that they can do \$100 billion of lending. I think there is big bipartisan support. I have spoken to Chairwoman Waters, Senators Warner and Crapo, and others. So, I think there are a lot of things that could be done very, very quickly that would have a big impact.

Ms. GABBARD. There is no question that the need is there and the frustration, especially as these reports come out about where the money has gone, and a lot of folks have been left stranded.

I want to pivot for a second in a different direction that hasn't been covered today in the area of sanctions. I served on the House Foreign Affairs Committee for my first 6 years in Congress. And both in Congress as well as in the Executive Branch, sanctions are often one of the first go-to actions to take within the realm of foreign policy, for a variety of reasons.

I recently pulled the list of U.S. sanctions that we have on countries and industries and individuals around the world, and it is a

very exhaustive list, as I am sure you are aware, with some sanctions even going back decades.

Can you speak to the Department of the Treasury's process and whether or not you work with other Federal agencies and departments, like the Department of State, Department of Defense and others, to assess the effectiveness of these economic sanctions once they have been levied? And if you do that, how often, really with the intent of saying, okay, these sanctions have been put in place, are they achieving the intended objective and, if not, what are they doing and what unintended negative consequences are there?

Secretary MNUCHIN. First, let me just say I really appreciate you bringing up this subject, and I would be more than happy to follow up with you offline. I spend an enormous amount of my time—really, before the pandemic, I was spending 50 percent of my time on the sanctions. I think they are very, very effective foreign policy tools.

We coordinate 100 percent with the State Department, the National Security Council, and the intelligence agencies on anything we do. We have a robust interagency process. I am going to encourage Chair Yellen to spend time on this. I also want to thank the committee and Congress. You have given us a lot of funding over the last 4 years. We have increased the number of people we have in these areas.

And these are very effective tools, combined with our strong military. But in many cases, they are very, very powerful tools and don't put our military in harm's way.

Ms. GABBARD. Before my time runs out, if you can speak briefly, and if not, I would like to follow up with you, I would love to know what specific mechanisms and measures of effectiveness you and these other Departments use in order to make sure that they are achieving an intended objective as well as what measures of impact do you use to say, hey, these sanctions against this country were intended for this purpose, but it is actually stopping this country from getting medicine and food and basic supplies, creating a negative humanitarian effect.

Secretary MNUCHIN. That is a very thoughtful question, I might just add. In the best-case scenario, we see a specific action as a result of the sanction and we remove the sanctions, but we also work very hard on humanitarian issues and issuing licenses for them.

Chairwoman WATERS. The gentlelady's time is up.

The gentleman from Ohio, Mr. Davidson, is recognized for 5 minutes.

Mr. DAVIDSON. Thank you.

Madam Chairwoman, thank you for the recognition. Chairman Powell and Secretary Mnuchin, thank you for the time you have given us today. I really appreciate the way you have handled our questions and the way you have pointed out what the law that Congress passed actually says and, frankly, for faithfully following that law.

We do need fiscal policy, not just monetary policy, and, frankly, we need Congress. From the way it sounds, some of my colleagues would just strike Article I from the Constitution and have the Executive Branch do everything.

I am glad that this body stays relevant, and I am hopeful that we can do some of the good things that did happen.

Let me highlight a couple of things that my constituents in the Eighth District of Ohio share with me. One, Chairman Powell, the Federal Reserve had a very robust and very swift and decisive response in the last half of March and in the early days of April. Those first 2, 3 weeks, there was a true liquidity crisis that was hitting our markets and truly global, because the demand for dollars wasn't just here in our markets; the demand was global.

You saw OPEC countries dump oil into the market, sucking cash, U.S. dollars into their countries, as a way for them to get liquidity. But you saw holders of all sorts of assets, including municipal bonds, generally considered very safe and liquid, disappear. There was no buy side.

So, the Federal Reserve's response in providing liquidity there, to me, fits right in line with the whole purpose of the broad authority under Section 13(3). But, nevertheless, we saw under 13(3) some distortions that have carried over as we have seen the size of the Fed's balance sheet grow, and some of the questions on that, I think are relevant. How big does it grow? Well, big enough to make sure we provide economic stability—that was the clear intent of the CARES Act—but not so big that it causes true economic distortions.

And where the inflation is showing up isn't in consumer prices. A lot of people fear and, frankly, know that it is in marketable securities on Wall Street. And while that benefits retirement savings, it accentuates the wealth gap.

Secretary Mnuchin, thanks for calling attention to the Payroll Protection Plan. That was tremendous for Ohio's Eighth District. In our district, we had about 9,000 loans made, and 80 percent of them were for \$150,000 or less. So, they were small loans, overwhelmingly made by smaller lenders.

And what was the effect of that? We had over 100,000 people in Ohio's Eighth District stay on payroll. The loan did go to the businesses, of course, but for the purpose of keeping payroll happening. And the benefit was that so many of these individuals and their families kept benefits, health insurance, and other things that come with employment. So, it has been a tremendous source of stability.

So, I congratulate my colleagues on the success of the Payroll Protection Plan, but, frankly, on Treasury and the SBA and others, all of the banks that made this functional.

The concern I have is the slow-walking of forgiveness on the back end. So, I hope you can give some attention to that. And, as time dwindles swiftly, I want to get to one topic that is emerging. We have seen the rise of digital assets and, frankly, to the extent that some people have proposed a central bank digital currency as a response to our monetary situation right now.

And I think it is important that we do that very thoughtfully [audio malfunction].

Chairwoman WATERS. I think there are some technical difficulties here.

We are past our hard stop, and I apologize for that. We are 5 minutes past. And so, I would like to thank our distinguished witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

With that, this hearing is adjourned. Thank you very much.  
[Whereupon, at 12:21 p.m., the hearing was adjourned.]

# **A P P E N D I X**

December 2, 2020

**Statement of Secretary Steven T. Mnuchin  
Department of the Treasury  
Before the Financial Services Committee  
U.S. House of Representatives  
December 2, 2020**

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am pleased to join you today to discuss the Department of the Treasury's unprecedented response to support the American people throughout the coronavirus pandemic. We continue to work to implement the historic CARES Act with speed, efficiency, and transparency, but our job will not be complete until we get every American back to work.

**Economic Recovery**

When I last testified before you in September, I stated that America is in the midst of the fastest economic recovery from any crisis in U.S. history. I am proud to say that while there is more work to be done, that statement is even more true today. In the third quarter, GDP grew by 33.1% at an annual rate, beating all expectations and nearly doubling the previous record set in 1950.

Americans are getting back to work. The October jobs report showed that the economy has gained back 12.1 million jobs since April—more than 50% of all jobs lost due to the pandemic. The private service-providing sector, which includes those industries that were most impacted by the initial economic shutdowns, has regained 58% of the jobs lost. The unemployment rate has decreased to 6.9%, a rate not expected by Blue Chip to be achieved until the fourth quarter of 2021.

The historic, bipartisan CARES Act provided the economic relief critical to supporting our robust recovery. Additional economic shutdowns, however, continue to impair this remarkable progress and cause great harm to American businesses and workers.

**Additional Economic Relief**

Based on recent economic data, I continue to believe that a targeted fiscal package is the most appropriate federal response. I strongly encourage Congress to use the \$455 billion in unused funds from the CARES Act to pass an additional bill with bipartisan support. The Administration is standing ready to support Congress in this effort to help American workers and small businesses that continue to struggle with the impact of COVID-19.

**Transparency**

Treasury has been working hard to implement the CARES Act in a transparent and efficient manner. We have released a significant amount of information to the public on our website, [Treasury.gov](https://www.treasury.gov), and on [USAspending.gov](https://www.usaspending.gov). In many instances, we have released more information than what is required by the statute.

We continue to cooperate with various oversight bodies, including the new Special Inspector General for Pandemic Relief, the Treasury Inspector General, the Treasury Inspector General for Tax Administration, the new Congressional Oversight Commission, and the Government Accountability Office (GAO).

We have provided regular updates to Congress, with this marking my ninth appearance before Congress for a CARES Act hearing. We have also devoted significant resources to responding to inquiries from numerous congressional committees and individual Members of Congress on both sides of the aisle. We appreciate your interest in these issues, and we remain committed to working with you to accommodate Congress's legislative requests and to further advance our whole-of-government approach to defeating COVID-19.

**Conclusion**

I would like to thank the members of the Committee for working with us to provide critical economic relief to the American people. I am pleased to answer any questions you may have.

For release at  
4:30 p.m. EST  
December 1, 2020

Statement by  
Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System  
before the  
Committee on Financial Services  
U.S. House of Representatives  
December 2, 2020

Chairwoman Waters, Ranking Member McHenry, and other members of the Committee, thank you for the opportunity to update you on our ongoing measures to address the hardship wrought by the pandemic.

Our public health professionals continue to deliver our most important response, and we remain grateful for their service.

The Federal Reserve, along with others across government, is using its policies to help alleviate the economic burden. Since the pandemic's onset, we have taken forceful actions to provide relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

Economic activity has continued to recover from its depressed second-quarter level. The reopening of the economy led to a rapid rebound in activity, and real gross domestic product, or GDP, rose at an annual rate of 33 percent in the third quarter. In recent months, however, the pace of improvement has moderated.

Household spending on goods, especially durable goods, has been strong and has moved above its pre-pandemic level. In contrast, spending on services remains low largely because of ongoing weakness in sectors that typically require people to gather closely, including travel and hospitality.

The overall rebound in household spending is due, in part, to federal stimulus payments and expanded unemployment benefits, which provided essential support to many families and individuals.

In the labor market, more than half of the 22 million jobs that were lost in March and April have been regained, as many people were able to return to work. As with overall economic activity, the pace of improvement in the labor market has moderated. Although we welcome this

progress, we will not lose sight of the millions of Americans who remain out of work. The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been hardest hit. In particular, the high level of joblessness has been especially severe for lower-wage workers in the services sector, for women, and for African Americans and Hispanics. The economic dislocation has upended many lives and created great uncertainty about the future.

As we have emphasized throughout the pandemic, the outlook for the economy is extraordinarily uncertain and will depend, in large part, on the success of efforts to keep the virus in check.

The rise in new COVID-19 cases, both here and abroad, is concerning and could prove challenging for the next few months. A full economic recovery is unlikely until people are confident that it is safe to reengage in a broad range of activities.

Recent news on the vaccine front is very positive for the medium term. For now, significant challenges and uncertainties remain, including timing, production and distribution, and efficacy across different groups. It remains difficult to assess the timing and scope of the economic implications of these developments with any degree of confidence.

The Federal Reserve's response has been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system. We have been taking broad and forceful actions to more directly support the flow of credit in the economy. Our actions, taken together, have helped unlock almost \$2 trillion of funding to support businesses large and small, nonprofits, and state and local governments since April. This, in turn, has helped keep organizations from

shuttering and has put employers in both a better position to keep workers on and to hire them back as the economy continues to recover.

These programs serve as a backstop to key credit markets and have helped restore the flow of credit from private lenders through normal channels. We have deployed these lending powers to an unprecedented extent. Our emergency lending powers require the approval of the Treasury and are available only in very unusual circumstances, such as those we find ourselves in today. Many of these programs have been supported by funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and I have included detailed information about those facilities in my written testimony.

The CARES Act assigns sole authority over its funds to the Treasury Secretary, subject to the statute's specified limits. The Secretary has indicated that these limits do not permit the CARES Act-funded facilities to make new loans or purchase new assets after December 31 of this year. Accordingly, the Federal Reserve will return the unused portion of funds allocated to the lending programs that are backstopped by the CARES Act in connection with their termination at the end of this year. As the Secretary noted in his letter, non-CARES Act funds in the Exchange Stabilization Fund are available to support emergency lending facilities if they are needed.

Everything the Fed does is in service to our public mission. We are committed to using our full range of tools to support the economy and to help assure that the recovery from this difficult period will be as robust as possible on behalf of communities, families, and businesses across the country.

Thank you. I look forward to your questions.

***Summary of Section 13(3) Facilities Using CARES Act Funding******The Municipal Liquidity Facility***

The Municipal Liquidity Facility (MLF) helps state and local governments better manage the extraordinary cash flow pressures associated with the pandemic, in which expenses, often for critical services, are temporarily higher than normal and tax revenues are delayed or temporarily lower than normal. This facility addresses these liquidity needs by purchasing the short-term notes typically used by these governments, along with other eligible public entities, to manage their cash flows. By addressing the cash management needs of eligible issuers, the MLF was also intended to encourage private investors to reengage in the municipal securities market, including across longer maturities, thus supporting overall municipal market functioning.

Under the MLF, the Federal Reserve Bank of New York lends to a special purpose vehicle (SPV) that will directly purchase up to \$500 billion of short-term notes issued by a range of eligible state and local government entities. Generally speaking, eligible issuers include all U.S. states, counties with a population of at least 500,000 residents, cities with a population of at least 250,000 residents, certain multistate entities, and revenue-bond issuers designated as eligible issuers by their state governors. Notes purchased by the facility carry yields designed to promote private market participation—that is, they carry fixed spreads based on the long-term rating of the issuer that are generally larger than those seen in normal times. With funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Department of the Treasury has committed to make a \$35 billion equity investment in the SPV.

The MLF was announced on April 9, 2020, and closed its first transaction on June 5. As of November 25, the facility had purchased two issues for a total outstanding amount of \$1.7 billion.

The MLF has contributed to a strong recovery in municipal securities markets, which has facilitated a historic issuance of approximately \$275 billion of bonds since late March. State and local governments and other municipal bond issuers of a wide spectrum of types, sizes, and ratings have been able to issue bonds, including long maturity bonds, with interest rates that are at or near historical lows. Those municipal issuers that do not have direct access to the Federal Reserve under the MLF have still benefited substantially from a better-functioning municipal securities market.

*The Main Street Lending Program*

The Federal Reserve established the Main Street Lending Program (Main Street) to support lending to small and medium-sized businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID-19 pandemic. These businesses and nonprofits have good longer-term prospects but have encountered temporary cash flow problems due to the pandemic and, as a result, are not able to get credit on reasonable terms. In addition to providing loans for borrowers in current need of funds, Main Street offers a credit backstop for firms that do not currently need funding but may if the pandemic continues to erode their financial condition.

Under Main Street, the Federal Reserve Bank of Boston has set up one SPV to manage and operate five facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), the Main Street Expanded Loan Facility (MSELF), the Nonprofit Organization New Loan Facility (NONLF), and the Nonprofit Organization Expanded Loan Facility (NOELF). The SPV will purchase up to \$600 billion in Main Street loan participations, while lenders retain a percentage of the loans. Main Street loans have a five-year maturity, no principal payments in the first two years, and no interest payments in the first year. Businesses with less than 15,000 employees or 2019 revenues of less than \$5 billion are eligible to apply for Main Street loans. Available loan sizes span from \$100,000 to \$300 million across the facilities and depend on the size and financial health of the borrower. With funding from the CARES Act, the Department of the Treasury has committed to make a \$75 billion equity investment in the SPV.

The business facilities (MSNLF, MSPLF, and MSELF) and nonprofit facilities (NONLF and NOELF) have broadly similar terms but differ in their respective underwriting standards.

The business facilities use the same eligibility criteria for lenders and borrowers and have many of the same terms, while other features of the loans extended in connection with each facility differ. The loan types also differ in how they interact with the borrower's outstanding debt, including with respect to the level of pre-crisis indebtedness a borrower may have incurred. Similarly, the nonprofit facilities have many of the same characteristics, but some features of the loans extended in connection with each facility differ. Eligible lenders may originate new loans under MSNLF, MSPLF, and NONLF or may increase the size of existing loans under MSELF and NOELF.

Main Street became operational on July 6, 2020. The Federal Reserve and the Department of the Treasury have modified the program several times to reflect extensive consultations with stakeholders, most recently by lowering the minimum loan threshold and adjusting fees to make the program more accessible. As of November 25, nearly 600 lenders representing more than half of U.S. banking assets have registered to participate in the program, and the program has purchased just under \$6 billion in participations.

Since Main Street became operational, the number of registered lenders and the amount of loan participations continue to increase. Program usage will depend on the course of the economy, the demand for credit by small and medium-sized businesses, and the ability of lenders to meet credit needs outside the Main Street program. Demand for Main Street loans may increase over time if the pandemic continues to affect the ability of businesses and nonprofits to access credit through normal channels and as other support programs expire.

*The Secondary Market Corporate Credit Facility*

The Secondary Market Corporate Credit Facility (SMCCF) is designed to work alongside the Primary Market Corporate Credit Facility (PMCCF), discussed later, to support the flow of credit to large investment-grade U.S. companies so that they can maintain business operations and capacity during the period of dislocation related to COVID-19. The SMCCF supports market liquidity by purchasing, in the secondary market, corporate bonds issued by investment-grade U.S. companies, by U.S. companies that were investment grade before the onset of the pandemic and remain near investment grade, and by U.S.-listed exchange-traded funds (ETFs) whose investment objective is to provide broad exposure to the market for U.S. corporate bonds.

Under the SMCCF, the Federal Reserve Bank of New York lends to an SPV that purchases in the secondary market both corporate bond portfolios in the form of ETFs and individual corporate bonds to track a broad market index. The SMCCF purchases ETF shares and corporate bonds at fair market value in the secondary market and avoids purchasing shares of ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio. The pace of purchases is a function of the condition of the U.S. corporate bond markets. With funding from the CARES Act, the Department of the Treasury has committed to make a \$75 billion equity investment in the SPV for the PMCCF and SMCCF, with a \$25 billion allocation toward the SMCCF.

The SMCCF staggered its launch of ETF and bond purchases in order to act as quickly and effectively as possible. Through ETF purchases beginning on May 12, 2020, the SMCCF provided liquidity to the corporate bond market relatively quickly. The Federal Reserve began direct corporate bond purchases under the broad market index purchase program on June 16. In its first week of bond purchases, the SMCCF was purchasing about \$370 million per day. As of

November 25, purchases have been slowed to a current daily pace of approximately \$20 million of bonds and no ETFs, and the total SMCCF outstanding value has reached \$13.6 billion.

The SMCCF's announcement effect was strong, quickly improving market functioning and unlocking the supply of hundreds of billions of dollars of private credit. Since late March, more than \$1.6 trillion in corporate bonds have been issued without direct government or taxpayer involvement. The SMCCF has materially reduced its pace of purchases over the past few months as a result of the substantial improvements in the functioning of the U.S. corporate bond markets. The pace of purchases going forward will continue to be guided by measures of market functioning, increasing when conditions deteriorate and decreasing when conditions improve.

*The Primary Market Corporate Credit Facility*

The Primary Market Corporate Credit Facility (PMCCF) is designed to work alongside the Secondary Market Corporate Credit Facility (SMCCF) to support the flow of credit to large investment-grade U.S. companies so that they can maintain business operations and capacity during the period of dislocation related to COVID-19. The PMCCF supports market liquidity by serving as a funding backstop for corporate debt.

Under the PMCCF, the Federal Reserve Bank of New York lends to an SPV. The SPV will purchase qualifying bonds and syndicated loans with maturities up to four years. With funding from the CARES Act, the Department of the Treasury has committed to make a \$75 billion equity investment in the SPV for the PMCCF and SMCCF, with a \$50 billion allocation toward the PMCCF.

The dual announcement of the PMCCF and SMCCF was well received by the market. Between March 23 and April 6, 2020, credit spreads for investment-grade bonds declined substantially. As of November 25, there have not been any PMCCF transactions, nor have any indications of interest been received. While the PMCCF has not purchased any bonds since it opened, it serves as a backstop should markets enter another period of stress.

*The Term Asset-Backed Securities Loan Facility*

The Term Asset-Backed Securities Loan Facility (TALF) supports the flow of credit to consumers and businesses by enabling the issuance of asset-backed securities (ABS) guaranteed by newly and recently originated consumer and business loans.

Under the TALF, the Federal Reserve Bank of New York lends to an SPV. The SPV will make up to \$100 billion of three-year term loans available to holders of certain triple-A-rated ABS backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), and certain other assets. The Federal Reserve lends an amount equal to the market value of the ABS less a haircut, and the loan is secured at all times by the ABS. With funding from the CARES Act, Department of the Treasury has committed to make a \$10 billion equity investment in the SPV.

As of November 25, the TALF has extended \$3.8 billion in loans since its launch on May 20, 2020. Loans have been collateralized by SBA-guaranteed ABS, commercial mortgage-backed securities (CMBS), and ABS secured by insurance premium finance loans or student loans.

The announcement and presence of the TALF has substantially helped improve liquidity in the ABS markets, including those for CMBS and collateralized loan obligations, with spreads in some ABS sectors returning close to normal levels. The TALF interest rates are attractive to borrowers when market conditions are stressed but not under normal conditions. While the facility is authorized to extend up to \$100 billion in loans, total take-up will likely be much less unless ABS market conditions worsen.

**Questions for the Record from Chairwoman Maxine Waters  
Full Committee Hybrid Hearing: “Oversight of the Treasury Department’s and Federal  
Reserve’s Pandemic Response”  
Wednesday, December 2, 2020**

**State of Economy and Need for Additional Stimulus**

1. [Chair Powell] You’ve been clear since the onset of this pandemic that Congress should use its fiscal powers to fight this virus and help the economy recover. Recently, New York Fed President John Williams said that fiscal support from Congress has “been a critical part of why the economy has recovered as well as it has,” and warned that “when that money runs out and some of these programs expire, I think that cuts off some of the support that small businesses and households were getting, and that’s going to slow the economy over coming months.”<sup>1</sup> We’ve seen both public health and economic conditions deteriorate in recent weeks. What sort of fiscal support does the economy most need to get through the next few months?
2. [Chair Powell] When you testified before this committee in September 2020, you said that “most private sector forecasters are assuming that some kind of a package passes sometime in the next few months.” Here we are months later, and we still haven’t seen any action from the Senate, despite extensive negotiations between Speaker Pelosi and Secretary Mnuchin. In other words, private sector forecasters were wrong in September, and their forecasts of fiscal action next year could be wrong again. What tools does the Fed have and what tools does it need if another round of fiscal stimulus doesn’t come as soon as expected, or if aid to state and local governments is insufficient?  
**Question:**
3. [Secretary Mnuchin] There are many warnings of a “double dip recession,” such as the concern raised recently by Dallas Fed President Robert Kaplan,<sup>2</sup> and new unemployment claims have climbed for several consecutive weeks. In the final week of November, 827,000 new people filed unemployment claims.<sup>3</sup> In light of these projections, and with the virus spiking throughout the country, how critical is it for Congress to enact a meaningful fiscal stimulus package?

**Response:**

Congress recently passed on an overwhelmingly bipartisan basis, and President Trump signed, the Coronavirus Response and Relief Supplemental Appropriations Act, as part of the Consolidated Appropriations Act of 2021. Congress worked with the Administration to provide critical additional economic relief for American workers, families, and businesses that, through no fault of their own, have been adversely impacted by the coronavirus pandemic. This bipartisan legislation will provide another round of Economic Impact Payments to eligible individuals and families, renew the Paycheck Protection Program to support small businesses

<sup>1</sup> <https://www.wsj.com/articles/feds-williams-says-lack-of-fiscal-aid-could-challenge-economy-11605730677>.

<sup>2</sup> <https://www.marketwatch.com/story/feds-kaplan-says-double-dip-recession-is-a-possibility-11605812995>.

<sup>3</sup> <https://www.nytimes.com/2020/11/25/business/unemployment-claims-jumped-last-week-as-coronavirus-cases-surge-nationwide.html>.

and their employees, ensure needed access to unemployment benefits for Americans who have lost their jobs due to COVID-19, and provide additional funding for schools, vaccine distribution, and other important sectors of the economy. Treasury and the Administration are fully committed to ensuring that hardworking Americans get this vital support as quickly as possible and to further strengthening our economic recovery.

**CARES Act Emergency Lending Programs and their expiration**

**Question:**

4. [Secretary Mnuchin and Chair Powell] How will the new wave of COVID cases affect the economy? Do you expect GDP to decline and unemployment to rise in the fourth quarter as a result of this wave? If so, and if Congress fails to provide meaningful fiscal stimulus, and if you both don't reconsider your decision to close down Fed facilities at the end of the year, where would you recommend our local small businesses to go in January if they need help?

**Response:**

While the increase in new COVID-19 cases is likely to lead to a reduction in the rate of economic growth, there are reasons to believe local governments and businesses have learned ways of reducing the spread of COVID-19 without the need for an economy-wide total shutdown like we saw in April. Moreover, Congress has recently enacted a second fiscal support package, which includes another round of Paycheck Protection Program forgivable loans, explicitly aimed at providing assistance to small businesses.

**Question:**

5. [Secretary Mnuchin and Chair Powell] I am disappointed in your premature closing of the Fed facilities which were intended to support small businesses, states, and local governments throughout the pandemic. What are the current timelines for a small business that can finally get a Main Street loan for between \$100,000 and \$250,000? Specially, when's the deadline for them to apply through a participating financial institution? Also, what is the deadline for a state or local government seeking assistance through the Municipal Liquidity Facility?

**Response:**

Lenders to small and medium-sized businesses could initiate Main Street loans through December 14, 2020 and must have completed the Main Street loan by January 8, 2021. The Federal Reserve lacks authority to make new loans or purchase new assets under the Municipal Liquidity Facility after December 31, 2020. The deadline for an issuer to file a Notice of Interest to begin the application process was December 1, 2020.

**Question:**

6. [Secretary Mnuchin and Chair Powell] Several of the Fed's COVID programs continue to have very low uptake compared to their announced size. Do you think this is because the terms of

the programs are unattractive to participants or because participants have more attractive private-sector alternatives? Have you looked at ways the Main Street Lending Facility could be expanded, as we proposed in the Heroes Act, including providing an even smaller loan option for small businesses that need loans that are less than \$100,000? The Heroes Act had several changes to also expand the Municipal Liquidity Facility, including extending the maturity date. If you won't consider extending these facilities, will you make additional modifications like these to make the programs more attractive and boost utilization prior to the programs expiring on December 31?

**Response:**

In the Consolidated Appropriations Act, 2021 Congress directed the sunset of Federal Reserve lending facilities using Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, including the Main Street Lending Facilities and the Municipal Liquidity Facility.

**Question:**

7. [Secretary Mnuchin and Chair Powell] Why has the Fed lent more to Wall Street than Main Street and state and local governments combined through its emergency programs? Why does the Fed continue to help Wall Street through facilities like its corporate bond facilities when financial conditions have arguably fully recovered from this spring, in contrast with the outlook to states and cities or small businesses?

**Response:**

In the Consolidated Appropriations Act, 2021 Congress directed the sunset of Federal Reserve lending facilities using CARES Act funds, including the Primary and Secondary Market Corporate Credit Facilities, Main Street Lending Facilities, and the Municipal Liquidity Facility.

**Question:**

8. [Secretary Mnuchin and Chair Powell] You have indicated you want to extend the programs and facilities that help capital markets, like the commercial paper funding facility, but not the programs that help small businesses and state and local governments. Why does Wall Street get continued support but not Main Street?

**Response:**

Consistent with the intent of the original CARES Act, it was the Department of the Treasury's plan to follow the intent of the law to let the 13(3) facilities using CARES Act funds expire, while allowing those that did not require any CARES Act funds to continue to serve their functions at minimal or no cost to the American taxpayer. In the Consolidated Appropriations Act, 2021, Congress directed the sunset of Federal Reserve lending facilities using CARES Act funds, including the Primary and Secondary Market Corporate Credit Facilities, Main Street Lending Facilities, and the Municipal Liquidity Facility.

**Question:**

9. [Secretary Mnuchin and Chair Powell] According to the most recent annual report from the Office of Financial Research, “market sentiment improved dramatically” after the establishment of the Federal Reserve’s CARES Act emergency lending facilities, but makes clear we are not out of the woods yet. Meanwhile, the Federal Reserve’s most recent financial stability report warned about substantial risk of “sharply rising default rates among nonfinancial corporates and small businesses.” The entire government seems to be sending signals that we are not thru this crisis. The only thing we are nearly through is President Trump’s reckless approach to this pandemic. Precisely what data points are you relying on to justify ending these programs when Congress clearly gave you the authority to leave them in place?

**Response:**

Based on his personal involvement negotiating and working with Congress to draft the relevant provisions, the Secretary believes Congress’s intent, as outlined in Section 4029 of the CARES Act, was to have the authority to make new loans or loan guarantees, or purchase new assets (either directly or indirectly), expire on December 31, 2020. In the Consolidated Appropriations Act, 2021 Congress directed the sunset of Federal Reserve lending facilities using CARES Act funds.

**Question:**

10. [Secretary Mnuchin and Chair Powell] Several studies have shown that communities of color are disproportionately affected physically and economically by the COVID-19 pandemic. According to a Federal Reserve Bank of New York report,<sup>4</sup> Black businesses experienced the most acute decline, with a 41 percent drop. Latinx business owners fell by 32 percent and Asian business owners dropped by 26 percent. In contrast, the number of white business owners fell by 17 percent. With the winding down of the MSLP, along with other emergency facilities, moving forward, what are your plans to help mitigate the impact of the pandemic for both minority small business owners and minority communities?

**Response:**

Congress recently passed on an overwhelmingly bipartisan basis, and President Trump signed, the Coronavirus Response and Relief Supplemental Appropriations Act, as part of the Consolidated Appropriations Act, 2021. In particular, this legislation provides \$12 billion to support two emergency programs, the Emergency Capital Investment Program and the Community Development Financial Institutions Fund, intended to make direct and indirect capital investments in low- and moderate-income financial institutions to support lending and investment activity in low- and moderate-income and minority communities, and respond to the economic impact of COVID-19.

---

<sup>4</sup> [https://www.newyorkfed.org/newssevents/news/regional\\_outreach/2020/20200804](https://www.newyorkfed.org/newssevents/news/regional_outreach/2020/20200804).

**Question:****Treasury Direct Loan Programs**

Congress appropriated \$500 billion to the Treasury's Economic Stabilization Fund to provide loans, loan guarantees or other investments, either directly, or through programs and facilities administered by the Federal Reserve, to eligible businesses, nonprofits, states, territories, and municipalities as provided under Title IV of the CARES Act.<sup>5</sup> The law allows for Treasury to provide direct loans to passenger air carriers, cargo air carriers and businesses critical to maintaining national security.

11. [Secretary Mnuchin] How many loan applications is Treasury still processing under Title IV for loans Treasury would make directly to a business instead of a Fed facility? Will all applications be processed before the December 31 expiration date?

**Response:**

Treasury processed all applications for direct loans under Title IV of the CARES Act prior to December 31, 2020.

**Question:**

12. [Secretary Mnuchin] According to the latest data we have, I understand that 11 companies have received Title IV loans due to national security concerns. Given that these loans are backed by taxpayers, they really should be focused on helping businesses that clearly predominantly involved in national security work. Would you briefly describe how YRC Worldwide – a major trucking company – qualified as a business that supports our national security?<sup>6</sup>

**Response:**

Section 4003(b)(3) of the CARES Act authorizes Treasury to make loans and loan guarantees for “businesses critical to maintaining national security.” The statute, however, does not define that term. Therefore, Treasury issued guidance on April 10, 2020, providing that a company can fall within this definition if it meets at least one of three criteria at the time of the business's application:

- the business performs under a “DX”-priority rated contract or order under the Defense Priorities and Allocations System regulations (15 CFR part 700);
- the business operates under a valid top secret facility security clearance under the National Industrial Security Program regulations (32 CFR part 2004); or
- based on a recommendation and certification by the Secretary of Defense or the Director of National Intelligence that the applicant business is critical to maintaining national

<sup>5</sup> Treasury, *Update on Treasury Implementation of the Payroll Support Program for the Aviation Industry* (May 12, 2020); and Congressional Research Service (CRS), *Treasury and Federal Reserve Financial Assistance in Title IV of the CARES Act (P.L. 116-136)* (Apr. 28, 2020).

<sup>6</sup> <https://www.washingtonpost.com/business/2020/07/01/treasury-loan-yrw-worldwide-cares-act/>.

security and the Secretary of the Treasury determines that the applicant business is critical to maintaining national security.

In accordance with Treasury's guidance, the Secretary of Defense delivered to Treasury a recommendation and certification that YRC is critical to maintaining national security. The Secretary of the Treasury determined that YRC is critical to maintaining national security based upon the Secretary of Defense's recommendation and certification.

#### **Municipal Liquidity Facility (MLF)**

13. ~~[Chair Powell] Last time you testified here you noted that even though the municipal liquidity facility hasn't made many purchases, it has "resulted in \$250 billion of borrowing in the private sector," and that that borrowing is taking place at "much cheaper rates." The Congressional Oversight Commission examined the facility, and it came to the same conclusion—states and cities have been able to borrow in a way that they never would have been able to if the municipal bond market conditions of March had persisted, and at much lower rates than they would have been able to were it not for the facility. If the facility goes away at the end of the year, will the ability of states and cities to borrow at cheaper rates also disappear?~~
14. ~~[Chair Powell] We've heard some discussion that aid to state and local governments and through the MLF constitute a "blue state bailout," but the \$300 billion in lending that has occurred since the municipal liquidity facility restored calm to the municipal bond market has helped maintain services during the pandemic in blue and red states and cities alike. If the MLF is allowed to expire at the end of the year, do you anticipate that borrowing costs will go up? And won't that make it harder for blue states AND red states to balance their budgets and deal with what remains of this crisis?~~
15. ~~[Chair Powell] There has been a big uptick in negative credit outlooks for states and municipal issuers during the pandemic. This trend is especially severe among local governments and transportation agencies, and it is expected to continue, especially if the Municipal Liquidity Facility is allowed to expire. When a state or city or transit authority sees its credit downgraded, its borrowing costs go up. This is not just affecting big blue states like Illinois and New York, but rural communities, airports, and hospitals in red states. Major credit rating agencies have either downgraded or assigned a negative credit outlook to nearly 9,000 issuers this year, and here are a few that I want to highlight: Midwest City, Oklahoma had a negative outlook revision on March 27. So did the Greenville County, South Carolina Tourism Public Facilities Corporation on April 3. Sioux City, Iowa received a negative outlook revision on April 22. Savannah, Missouri had its credit downgraded by S&P on August 2, and the state of Mississippi had two of its bonds downgraded by S&P on October 2. What happens when an issuer has its credit downgraded, and shouldn't we be worried about that regardless of who its residents vote for?~~

#### **Question:**

16. [Secretary Mnuchin] The fact that the MLF has been helpful to states and cities and should be extended is not a partisan position. When this committee held a hearing on the need for state government support in September, even the Republican witness testified that the facility was

“underutilized,” and that that it “can and should be more aggressively used.” In a recent *Bloomberg* article, the Republican Comptroller in Suffolk County, New York said he might rely on the MLF to sell debt going forward, and that he was lobbying members of Congress for its extension. What do you say to these Republicans who believe that the MLF should be extended?

**Response:**

In the Consolidated Appropriations Act, 2021 Congress directed the sunset of Federal Reserve lending facilities using CARES Act Funds, including the Municipal Liquidity Facility. The Municipal Liquidity Facility’s low utilization reflects a recovered and functioning municipal securities market. Indeed, the municipal securities market stabilized in large part because the Municipal Liquidity Facility established a backstop. Suffolk County, New York applied to the facility to have it as an option in case the facility provided lower borrowing costs than private bidders. However, in two competitive auctions, the county was able to borrow from private market participants and did not have to use the facility.

**Question:**

17. [Chair Powell] In an October 29 research memo, analysts at Citigroup wrote: “Now, the U.S. economy is definitely not out of the woods as far as the pandemic is concerned, and many state and local governments have indicated that they will utilize the safety net of the MLF to meet their funding needs during market volatility. So, do we see the potential for bouts of market volatility over the next 12 months? Definitely. And, would the soothing presence of MLF backstop facility help assuage this volatility? Absolutely. In our opinion, the Fed should extend the MLF at least for another 12 months until December 31st, 2021.” Do you agree with this analysis?

- [Secretary Mnuchin] Do you agree with this analysis? Why are you ignoring the views of market participants and hastily shutting down the Municipal Liquidity Facility now? Since these programs were meant to help stabilize the economy in the face of a pandemic that continues today, what harm would there have been to leave Treasury’s original investment in the MLF and extend it for a few more months, as the CARES Act permits?

**Response:**

In the Consolidated Appropriations Act, 2021 Congress directed the sunset of Federal Reserve lending facilities using CARES Act funds, including the Municipal Liquidity Facility.

**Question:**

**Transition to Biden Administration**

18. [Secretary Mnuchin] On November 23 – which was 20 days after the election and 16 days after Joseph Biden was declared the winner by even Fox News – the General Services Administration finally authorized the formal transition to the Biden administration, requiring

that federal agencies work with the incoming Administration to ensure that agency operations run smoothly upon a peaceful transfer of power. This is far different than the transition we saw during the 2008 financial crisis where the Bush Administration coordinated closely with the incoming Obama Administration, for example requesting Congress provide the second set of TARP funds at then President-elect Obama's urging.<sup>7</sup> Has your agency participated in transition discussions with the Biden administration? Are you committed to working with Janet Yellen to ensure she has all required information and resources to perform her job successfully on Day One as Treasury Secretary?

**Response:**

Based on GSA's commencement of the formal transition process, Treasury began meeting with the Biden Agency Review Team to share information and facilitate an effective transition, consistent with the Memorandum of Understanding signed between the Administration and the Biden Transition team in September. Consistent with the legislation governing Presidential transitions and the memorandum of understanding between the Administration and Biden Transition team, Treasury has been working closely with the Biden Agency Review Team during the past two months to facilitate an orderly transition on January 20. The Treasury transition team has provided over 500 pages of materials and facilitated over 100 separate briefings during this period to help bring the incoming Administration up to speed on the breadth of Treasury's policy issues and responsibilities.

**Question:**

19. [Secretary Mnuchin] Late last month, the General Services Administration authorized the formal transition to the Biden administration, requiring that federal agencies work with the incoming Administration to ensure that agency operations run smoothly upon a peaceful transfer of power, but only after an unprecedented, unjustified delay that had real costs, including potential negative impacts for our economy. What will the unnecessary delay's impact be when it comes to national security, financial stability, and addressing the economic ramifications of the COVID-19 pandemic?

**Response:**

Based on GSA's commencement of the formal transition process, Treasury began meeting with the Biden Agency Review Team to share information and facilitate an effective transition, consistent with the Memorandum of Understanding signed between the Administration and the Biden Transition team in September. Consistent with the legislation governing Presidential transitions and the memorandum of understanding between the Administration and Biden Transition team, Treasury has been working closely with the Biden Agency Review Team during the past two months to facilitate an orderly transition on January 20. The Treasury transition team has provided over 500 pages of materials and facilitated over 100 separate briefings during this period to help bring the incoming Administration up to speed on the breadth of Treasury's policy issues and responsibilities.

---

<sup>7</sup> <https://www.nytimes.com/2009/01/13/washington/13cong.html>.

**GSE Conservatorship and Housing Issues**

20. [Secretary Mnuchin] This month, FHFA released its final capital rule which would require that Fannie Mae and Freddie Mac maintain \$283 billion in combined capital, which is a major step towards releasing the Enterprises from federal conservatorship. These changes are expected to come with a steep cost to borrowers. Analyses show that increased capital requirements will result in higher lending costs in the form of increased fees or interest rates, decreasing credit availability, and lost homeownership opportunities for millions of first-time homebuyers and families looking to purchase their next home. During the hearing, you indicated in response to a question that the Department of the Treasury, Financial Stability Oversight Council, and/or the Office of Financial Research has conducted additional analysis of FHFA's final capital rule and its potential impact on the credit risk transfer market, the mortgage-backed securities market, and access to mortgage credit. What analysis have you done on the impact this would have on mortgage interest rates and overall availability of credit, particularly for low- and moderate-income borrowers and borrowers of color? Would you please summarize the analysis that has been done and promptly provide a copy of it to the Committee?

**Response:**

In 2020, the Financial Stability Oversight Council (FSOC) conducted a review of the secondary mortgage market, focusing in particular on the activities of Fannie Mae and Freddie Mac (the Enterprises) as the dominant private secondary market providers of liquidity through their purchase of mortgages for securitization and sale as guaranteed mortgage-backed securities (MBS). In assessing potential risks to financial stability, FSOC applied the framework for an activities-based approach described in the interpretive guidance on nonbank financial company determinations issued by FSOC in 2019. FSOC's review noted the central role the Enterprises continue to play in the national housing finance markets, and found any distress at the Enterprises that affected their secondary mortgage market activities, including their ability to perform their guarantee and other obligations on their MBS and other liabilities, could pose a risk to financial stability, if risks are not properly mitigated. FSOC's review also considered whether the regulatory framework of the Federal Housing Finance Agency (FHFA) would adequately mitigate this potential risk posed by the Enterprises. The FHFA's capital proposal, which has subsequently been finalized, was central to FSOC's analysis. FSOC considered whether the proposed capital rule was appropriately sized and structured, given the Enterprises' risks and their key role in the housing finance system, and also whether the proposed capital rule promotes stability in the broader housing finance system. FSOC issued a public statement in September 2020 summarizing its review and key findings, which is available at the link in the footnote.<sup>8</sup> The full statement may be found at the link in the footnote.<sup>9</sup>

**Question:**

21. [Secretary Mnuchin] This month, FHFA released its final capital rule which would require that

<sup>8</sup> <https://home.treasury.gov/system/files/261/Financial-Stability-Oversight-Councils-Statement-on-Secondary-Mortgage-Market-Activities.pdf>

<sup>9</sup> <https://home.treasury.gov/system/files/261/Financial-Stability-Oversight-Councils-Statement-on-Secondary-Mortgage-Market-Activities.pdf>.

Fannie Mae and Freddie Mac maintain \$283 billion in combined capital, which is a major step towards releasing the Enterprises from federal conservatorship. Even if FHFA's final capital rule goes into effect, the Enterprises cannot be released from conservatorship without another agreement between Treasury and FHFA to modify the Preferred Stock Purchase Agreements. It is our understanding that before Treasury makes decisions affecting the taxpayer's interest, such as modifying the PSPAs, the DOJ is required to conduct an analysis. Is the DOJ working on such an analysis and can you explain the nature of the analysis?

- Can you assure Congress that the changes to the PSPAs won't affect the MBS market?
- What impact do you expect a change to the PSPAs will have on junior or preferred shareholders?

**Response:**

As Treasury made clear in its September 2019 Housing Reform Plan,<sup>10</sup> building sufficient capital is critical for the GSEs' path out of conservatorship and to protect taxpayers. Additional changes to the Senior Preferred Stock Purchase Agreements (PSPAs) between Treasury and the GSEs may be appropriate to facilitate this objective. No decision on changes to the PSPAs has been made. Treasury continues to support housing finance reform that preserves access to mortgage credit in all market conditions as a part of robust and liquid residential finance lending markets.

**Question:**

22. [Secretary Mnuchin and Chair Powell] As pandemic-related protections for renters and homeowners are set to expire at year end, according to a November 9th survey conducted by the U.S. Census Bureau, more than 5.8 million adults say they are somewhat to very likely to face eviction or foreclosure over the course of the next two months which would have a devastating effect on the economy. As COVID-19 cases surge, what actions are Treasury and the Federal Reserve taking to ensure that millions of Americans are not left homeless, further exacerbating the fragile U.S. economy?

**Response:**

Congress recently passed on an overwhelmingly bipartisan basis, and President Trump signed, the Coronavirus Response and Relief Supplemental Appropriations Act, as part of the Consolidated Appropriations Act, 2021, which includes \$25 billion in rental assistance for struggling American households. Further, the Coronavirus Response and Relief Supplemental Appropriations Act extended the order issued by the Centers for Disease Control and Prevention under section 361 of the Public Health Service Act (42 U.S.C. 264), entitled "Temporary Halt in Residential Evictions To Prevent the Further Spread of COVID-19" (85 Fed. Reg. 55292 (September 4, 2020) through January 31, 2021, notwithstanding the effective dates specified in such Order.

**Question:**

---

<sup>10</sup> <https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf>.

23. [Secretary Mnuchin and Chair Powell] As the pandemic continues, what is Treasury and the Fed doing to encourage financial institutions to do all they can to help consumers and small business owners that need forbearance on their mortgage and other obligations?

**Response:**

Treasury continues to conduct outreach and encourage financial institutions to take action to help address the financial needs of individuals and companies affected by COVID-19, including by working with borrowers in affected communities.

**Question:**

24. [Secretary Mnuchin] Last October 2019 when you joined your colleagues Secretary Carson and Director Calabria in front of this Committee, you stated that releasing Fannie and Freddie could happen within 1 to 2 years, but that it would depend, “upon market circumstances.” However, it has been reported that you, Director Calabria and Director Kudlow have been meeting about how to significantly speed up Fannie and Freddie’s exit from conservatorship. Up until two months ago, Director Calabria made it clear to members of this Committee that “the path out of the conservatorships that we will establish for Fannie and Freddie is not going to be calendar dependent.” Secretary Mnuchin, do you agree that a release of the Enterprises from conservatorship should not be calendar dependent, but rather depend on the context and needs of both the market and borrowers across the nation? Can you elaborate on what market circumstances during the current pandemic and economic downturn you believe justify raising the GSEs’ capital and hastily locking in a plan out of conservatorship?

**Response:**

As Treasury made clear in its September 2019 Housing Reform Plan,<sup>11</sup> building sufficient capital is critical for the GSEs’ path out of conservatorship and to protect taxpayers. Additional changes to the PSPAs between Treasury and the GSEs may be appropriate to facilitate this objective. No decision on changes to the PSPAs has been made. Treasury continues to support housing finance reform that preserves access to mortgage credit in all market conditions as a part of robust and liquid residential finance lending markets.

**Question:**

25. [Secretary Mnuchin] Knowing you will be gone from your post in January and in need of Treasury’s blessing, it appears Director Calabria is in a rush to push the GSEs out of conservatorship, starting with a final rule that would more than quadruple current capital requirements for the GSEs, increasing them from \$45 billion to \$283 billion. Experts and stakeholders have cautioned that a hasty release of the GSEs could not only hurt prospective homeowners looking to take advantage of historically low interest rates, but the housing finance industry at large. In fact, the Securities Industry and Financial Markets Association (SIFMA) wrote in July 2019 that they believe that absent legislative action, “moving the GSEs out of conservatorship and back into the private markets would dramatically heighten the risk

---

<sup>11</sup> <https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf>.

of a liquidity disruption for existing and new MBS.” In light of the ongoing pandemic, will you agree to be deliberate and not approve any action FHFA proposes that could unduly tie the hands of the next Administration or disrupt the mortgage marketplace? Have you consulted with Janet Yellen, President-elect Joseph Biden’s nominee to succeed you as Treasury Secretary, on these plans? Do you agree that you should be closely coordinating given that the ramifications on the housing markets will far outlast your tenure?

**Response:**

As Treasury made clear in its September 2019 Housing Reform Plan,<sup>12</sup> building sufficient capital is critical for the GSEs’ path out of conservatorship and to protect taxpayers. Additional changes to the PSPAs between Treasury and the GSEs may be appropriate to facilitate this objective. No decision on changes to the PSPAs has been made. Treasury continues to support housing finance reform that preserves access to mortgage credit in all market conditions as a part of robust and liquid residential finance lending markets.

**Question:**

**The Need for a “Bailout Manager”**

26. [Secretary Mnuchin] When you testified before this Committee in September, you expressed interest in exploring the idea of a sovereign wealth fund to manage the periodic need for public bailouts of private corporations. The severe economic distress of the past year has reminded many of us of 2008, and many of us feel the need to protect workers and ensure that the public is reimbursed when the government takes emergency action to prevent broader financial stress. You were careful to note the differences between the pandemic and 2008, since millions of businesses have needed emergency assistance during this pandemic that they didn’t cause. But with small business closures, corporate defaults and bankruptcies, and public sector layoffs all expected to increase significantly as we fight the current wave of this virus, the differences in who is responsible for causing the need for emergency lending in 2008 vs. 2020 matter less than the similarly devastating impact that both events had on the economy. While some have raised concerns about the effectiveness of the Fed’s emergency lending during this pandemic, should Congress look at past examples, like the Resolution Trust Corporation,<sup>13</sup> and explore creating a “bailout manager” that extends emergency assistance to businesses while protecting workers and the public?

**Response:**

As Secretary Mnuchin stated during the September 22, 2020 hearing, he does not “necessarily think the U.S. should have a sovereign wealth fund.” Should Congress seek to examine this issue further, however, Treasury is prepared to provide feedback and assistance.

27. [Chair Powell] Corporate bankruptcies, downgrades, and defaults are all projected to increase over the next year. Senator Pat Toomey alluded to this possibility when he was quoted last

<sup>12</sup> <https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf>.

<sup>13</sup> [https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport\\_202008.pdf](https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport_202008.pdf).

month saying, “If someone wants to make the case that we need the government to give money to people or businesses because they’re struggling, by all means you can make that case. But that’s not a Fed exercise.” As COVID-19 cases surge all around the country, should Congress approve another round of fiscal stimulus to help people and businesses that are struggling?<sup>2</sup> Additionally, should Congress look at past examples, like the Resolution Trust Corporation,<sup>14</sup> and explore creating a “bailout manager” that extends emergency assistance to businesses while protecting workers and the public?<sup>2</sup>

### Economic Concentration

[Chair Powell] In September, the Department of Justice requested public comment on potential revisions to interagency guidelines that the DOJ and Federal Reserve use to analyze the competitive effects of proposed bank mergers. The DOJ suggested that it is considering weakening the Bank Merger Guidelines by including nontraditional financial services providers—such as online banks—into its competitive analysis. This approach would make it even easier for banks to obtain regulatory approval for mergers. I am concerned by the DOJ’s apparent desire to water down the Bank Merger Guidelines, as the agencies’ bank merger review is already woefully inadequate. The agencies’ practice of rubber stamping bank mergers has harmed small businesses and consumers, especially in low and moderate income communities. Has the Federal Reserve consulted with the DOJ about potential revisions to the interagency Bank Merger Guidelines? Will you commit that the Federal Reserve will not make any changes to the Bank Merger Guidelines that would further weaken the competitive analysis?

### Climate Risks

28. [Secretary Mnuchin] The Office of Financial Research’s 2020 annual report stated: “One scientist provided this very long-term perspective on natural disasters: ‘The earth has suffered mass volcanic explosions, flooding, meteor impacts, mountain building and all manner of abuses greater than anything people could inflict, and it’s still here . . . the earth doesn’t care.’”<sup>15</sup> Perhaps the Earth itself can withstand the impact of growing climate disasters, but as the Office of Financial Research weighs the physical and financial stability risks of climate change, it seems like a more relevant consideration is the impact for people living on Earth. According to a climate scientist: “a 4 degrees C future is incompatible with an organized global community, is likely to be beyond ‘adaptation’, is devastating to the majority of ecosystems, and has a high probability of not being stable.”<sup>16</sup> Does that seem like an important risk for our financial regulators to take into consideration?

- [Secretary Mnuchin] Another suggestion made by the Office of Financial Research’s 2020 report is that increased economic costs of natural disasters also reflect “people . . . flocking to disaster prone regions.” California seems a good example.” Data from the National Oceanic and Atmospheric Administration (NOAA) shows that the average number of natural disasters costing \$1 billion or more from 1980 through 2019 was six, but that “2020 is the sixth consecutive year (2015-2020) in which 10 or more billion-

<sup>14</sup> [https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport\\_202008.pdf](https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport_202008.pdf).

<sup>15</sup> OFR, *2020 Annual Report to Congress* (Nov. 18, 2020).

<sup>16</sup> Grist, *The brutal logic of climate change* (Dec. 6, 2011).

dollar weather and climate disaster events have impacted the United States.”<sup>17</sup> This seems impossible to attribute just to changes in population density. Is it the Treasury Department’s position that the six most destructive wildfires in California history have all taken place since you took office — including four just this year—simply because California’s population has grown over the last four years?

**Response:**

Treasury is not a financial regulator and therefore is unable to incorporate climate-related economic risks in financial regulations.

29. ~~[Chair Powell] Recent financial stability reports from both of your agencies showed a starkly different approach to managing climate risks, with the Fed emphasizing the importance of managing climate risks and the Office of Financial Research sounding a more dismissive note. The nonprofit organization Ceres was recently asked about the financial risks of climate change and told the *Washington Post*, “If there is anything COVID taught us, it’s that you can shock the system. We don’t want it to happen again. And climate risk is as great, if not bigger, than the subprime meltdown risk at the end of the 2000s, or COVID risk.”<sup>18</sup> Do you agree with this assessment, and if so, what steps should the Financial Stability Oversight Council take under new leadership to evaluate that risk?~~

30. ~~[Chair Powell] In the Federal Reserve’s financial stability report released in November, you flagged climate change as a financial stability risk for the first time and highlighted policies that would “moderate climate-related financial vulnerabilities or the likelihood of large shocks.” Can you describe how our financial system is vulnerable to climate-related shocks, and what policies the Fed is developing in response?~~

- ~~[Chair Powell] The Fed also announced last month that it would join an international body of central banks seeking to monitor and address the financial stability risks of climate change called the Network for Greening the Financial System (NGFS). Testifying before our committee last month, Vice Chair Quarles told us that the Fed been “talking with the NGFS about joining them for some time. They had indicated that that would not be possible until recently.” What changed?~~

<sup>17</sup> NOAA National Centers for Environmental Information (NCEI), *Billion-Dollar Weather and Climate Disasters* (2020).

<sup>18</sup> Washington Post, *What the Janet Yellen pick for Treasury means for climate policy*, (November 25, 2020).



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

JEROME H. POWELL  
CHAIR

March 19, 2021

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
Washington, D.C. 20515

Dear Madam Chairwoman:

Enclosed are my responses to the questions you submitted following the December 2, 2020,<sup>1</sup> hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

Please let me know if I may be of further assistance.

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Powell". The signature is written in a cursive, flowing style.

Enclosure

---

<sup>1</sup> Questions for the record related to this hearing were received on December 14, 2020.

**Questions for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System from Chairwoman Waters:**

**State of Economy and Need for Additional Stimulus**

**1. [Chair Powell] You’ve been clear since the onset of this pandemic that Congress should use its fiscal powers to fight this virus and help the economy recover. Recently, New York Fed President John Williams said that fiscal support from Congress has “been a critical part of why the economy has recovered as well as it has,” and warned that “when that money runs out and some of these programs expire, I think that cuts off some of the support that small businesses and households were getting, and that’s going to slow the economy over coming months.”[1] We’ve seen both public health and economic conditions deteriorate in recent weeks. What sort of fiscal support does the economy most need to get through the next few months?**

**[1] <https://www.wsj.com/articles/feds-williams-says-lack-of-fiscal-aid-could-challenge-economy-11605730677>**

It is the responsibility of the Congress and the Administration to decide on the appropriate timing, composition, and size of fiscal stimulus. That said, generally, fiscal policy can provide important support to the economy during and following a recession. Last year, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other enacted legislation provided direct help to families, businesses, communities, and state and local governments; the legislation enacted in late December 2020 will continue to provide fiscal support. The ongoing discussions about proposed additional fiscal support are most appropriately conducted by elected officials.

**2. [Chair Powell] When you testified before this committee in September 2020, you said that “most private sector forecasters are assuming that some kind of a package passes sometime in the next few months.” Here we are months later, and we still haven’t seen any action from the Senate, despite extensive negotiations between Speaker Pelosi and Secretary Mnuchin. In other words, private sector forecasters were wrong in September, and their forecasts of fiscal action next year could be wrong again. What tools does the Fed have and what tools does it need if another round of fiscal stimulus doesn’t come as soon as expected, or if aid to state and local governments is insufficient?**

Since the onset of COVID-19 and throughout the resulting economic crisis, the Federal Reserve has deployed a wide range of measures in support of the economy, including reducing the federal funds rate to its effective lower bound; increasing holdings of Treasury securities and of agency mortgage-backed securities; and establishing a range of emergency lending facilities to support the flow of credit to households, businesses, and state and local governments. At the same time, the federal government has provided substantial fiscal support to the economy, including through the Coronavirus Relief and Recovery Act and the Consolidated Appropriations Act (which was enacted after this question was received). Together, fiscal and monetary policy actions have supported a strong—but still incomplete—recovery in economic activity. The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time.

**CARES Act Emergency Lending Programs and their expiration**

**4. [Secretary Mnuchin and Chair Powell] How will the new wave of COVID cases affect the economy? Do you expect GDP to decline and unemployment to rise in the fourth quarter as a result of this wave? If so, and if Congress fails to provide meaningful fiscal stimulus, and if you both don't reconsider your decision to close down Fed facilities at the end of the year, where would you recommend our local small businesses to go in January if they need help?**

Although fourth-quarter GDP rose modestly, the increase largely reflects solid momentum through October 2020. Economic activity moderated into the beginning of 2021 as mandatory restrictions and voluntary social distancing increased in response to the rise in COVID-19 cases in the late fall and early winter. As a result, the economic recovery that began last spring remains uneven and far from complete. To be sure, many sectors continue to improve; in particular, manufacturing output and business investment both posted gains in the final months of the year.

After deteriorating late last year, labor market conditions improved in recent months. Payroll employment rose 166,000 in January and moved up 379,000 in February. Notably, the leisure and hospitality sector added 355,000 jobs in February after losing about 500,000 jobs in December. Nevertheless, in February, employment was nearly 10 million less than its pre-COVID-19 level, the unemployment rate remained elevated at 6.2 percent, and labor market participation was notably below pre-pandemic levels. Importantly, the economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been the hardest hit. Job losses have been especially severe for lower-wage workers in the service sector, as well as for African Americans and Hispanics.

The limited available indicators for economic activity so far this year do not signal further slowing. But the outlook for the economy and will depend in large part on the course of COVID-19. The ongoing vaccination campaign offers hope for a return to normalcy later this year. However, the next few months are likely to be challenging. The recently enacted Consolidated Appropriations Act, 2021 should provide critical support to many struggling households and businesses through the winter. But a full recovery is unlikely to be realized until people are confident that it is safe to reengage in a broad range of activities.

COVID-19 poses a critical risk of insolvency to many small businesses. It is therefore significant that the Consolidated Appropriations Act, 2021—which was enacted after this question was received—contains substantial additional funding for the Paycheck Protection Program (PPP). Small firms that had not previously accessed the PPP program are now eligible for forgivable loans, as are firms who previously took out a PPP loan and whose revenues were particularly hard hit by the effects of COVID-19. These forgivable loans will likely help to meet the credit needs of many eligible small businesses; even so, many small firms not eligible for the current iteration of the PPP also have been negatively affected by the COVID-19 and remain in precarious financial positions. Although small business credit from private lenders appears to have tightened significantly during COVID-19, these businesses may be able to obtain assistance through the expansion of the Economic Injury Disaster Loan program in the new stimulus package or through a loan through the Small Business Administration (SBA). Finally, the

decision on whether to provide further fiscal support—including additional aid to small businesses—is rightly the responsibility of the Administration and Congress.

**5. [Secretary Mnuchin and Chair Powell] I am disappointed in your premature closing of the Fed facilities which were intended to support small businesses, states, and local governments throughout the pandemic. What are the current timelines for a small business that can finally get a Main Street loan for between \$100,000 and \$250,000? Specially, when's the deadline for them to apply through a participating financial institution? Also, what is the deadline for a state or local government seeking assistance through the Municipal Liquidity Facility?**

In compliance with section 1005 of the Consolidated Appropriations Act, 2021, the Main Street Lending Program (Main Street) facilities terminated on January 8, 2021, and the Municipal Liquidity Facility (MLF) terminated on December 31, 2020. Main Street lenders were advised to submit eligible loans to the Main Street Special Purpose Vehicle on or before December 14, 2020, in order to provide time for review of the loan documentation.<sup>1</sup> Issuers under the MLF were instructed to submit a Notice of Interest no later than 30 calendar days before the MLF's stated termination date.<sup>2</sup>

**6. [Secretary Mnuchin and Chair Powell] Several of the Fed's COVID programs continue to have very low uptake compared to their announced size. Do you think this is because the terms of the programs are unattractive to participants or because participants have more attractive private-sector alternatives? Have you looked at ways the Main Street Lending Facility could be expanded, as we proposed in the Heroes Act, including providing an even smaller loan option for small businesses that need loans that are less than \$100,000? The Heroes Act had several changes to also expand the Municipal Liquidity Facility, including extending the maturity date. If you won't consider extending these facilities, will you make additional modifications like these to make the programs more attractive and boost utilization prior to the programs expiring on December 31?**

Pursuant to section 1005 of the Consolidated Appropriations Act, 2021, the MLF terminated on December 31, 2020, and the Main Street terminated on January 8, 2021. Both programs experienced additional volumes in the weeks prior to their close. The Federal Reserve will continue to closely monitor financial conditions and market functioning broadly.

**7. [Secretary Mnuchin and Chair Powell] Why has the Fed lent more to Wall Street than Main Street and state and local governments combined through its emergency programs? Why does the Fed continue to help Wall Street through facilities like its corporate bond facilities when financial conditions have arguably fully recovered from this spring, in contrast with the outlook to states and cities or small businesses?**

<sup>1</sup> For the For-Profit FAQs, see [www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/frequently-asked-questions-faqs.pdf](http://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/frequently-asked-questions-faqs.pdf). For the Nonprofit FAQs, see [www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/frequently-asked-questions-faqs-nonprofit.pdf](http://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/frequently-asked-questions-faqs-nonprofit.pdf).

<sup>2</sup> See [www.newyorkfed.org/newsevents/news/markets/2020/20201006](http://www.newyorkfed.org/newsevents/news/markets/2020/20201006).

The Secondary Market Corporate Credit Facility (SMCCF) and the MLF played a backstop role which helped to calm corporate and municipal debt markets and allowed for smooth market functioning following the initial turmoil in March 2020. This backstop role allowed private markets to continue functioning without the need for much actual lending from the facilities, evidenced by the low facility usage rates. Issuance of corporate and municipal debt increased after the announcements of the facilities, as corporations and state and local governments were able to fund their operations through new debt provided mainly by private lenders. Such credit availability has helped create an environment in which the millions have already returned to work, and the millions who have not have the best chance to return to their old jobs or find new ones.

In contrast, at the onset of the COVID-19 pandemic, many small businesses were carrying significant debt loads or otherwise were not in a position to repay additional loans offered through Main Street. Many of these businesses have benefitted more from direct fiscal support in the form of grants or other assistance, including PPP, which has helped to allow these businesses to weather the pandemic. Likewise, municipalities that cannot support additional debt burdens benefit less from the Federal Reserve's emergency lending programs and may require fiscal support, to be determined by Congress and the Administration.

**8. [Secretary Mnuchin and Chair Powell] You have indicated you want to extend the programs and facilities that help capital markets, like the commercial paper funding facility, but not the programs that help small businesses and state and local governments. Why does Wall Street get continued support but not Main Street?**

As you aware, in accordance with section 1005 of the Consolidated Appropriations Act, 2021, the Federal Reserve ceased the extension of credit under those emergency lending facilities backed with funds appropriated under the CARES Act on December 31, 2020, with the exception of the Main Street, which was granted an extension through January 8, 2021. In addition to Main Street, facilities backed with funds appropriated through the CARES Act include the MLF, the Term Asset-Backed Securities Loan Facility (TALF), the Primary Market Corporate Credit Facility (PMCCF), and the SMCCF. Main Street was a viable option for many small- and medium-sized businesses. At its close, Main Street purchased approximately \$16.6 billion in loan participations.

The remaining Federal Reserve emergency lending facilities—the Commercial Paper Funding Facility, Money Market Mutual Fund Liquidity Facility, PPPLF, and Primary Dealer Credit Facility—do not make use of funds appropriated under section 4003(b) of the CARES Act and will remain available through March 31, 2021, unless extended.

**9. [Secretary Mnuchin and Chair Powell] According to the most recent annual report from the Office of Financial Research, “market sentiment improved dramatically” after the establishment of the Federal Reserve’s CARES Act emergency lending facilities, but makes clear we are not out of the woods yet. Meanwhile, the Federal Reserve’s most recent financial stability report warned about substantial risk of “sharply rising default rates among nonfinancial corporates and small businesses.” The entire government seems to be sending signals that we are not thru this crisis. The only thing we are nearly through is**

**President Trump’s reckless approach to this pandemic. Precisely what data points are you relying on to justify ending these programs when Congress clearly gave you the authority to leave them in place?**

Please see my response to question 8.

**10. [Secretary Mnuchin and Chair Powell] Several studies have shown that communities of color are disproportionately affected physically and economically by the COVID-19 pandemic. According to a Federal Reserve Bank of New York report,[1] Black businesses experienced the most acute decline, with a 41 percent drop. Latinx business owners fell by 32 percent and Asian business owners dropped by 26 percent. In contrast, the number of white business owners fell by 17 percent. With the winding down of the MSLP, along with other emergency facilities, moving forward, what are your plans to help mitigate the impact of the pandemic for both minority small business owners and minority communities?**

**[1] [https://www.newyorkfed.org/newsevents/news/regional\\_outreach/2020/20200804](https://www.newyorkfed.org/newsevents/news/regional_outreach/2020/20200804)**

I share your concerns about the disproportionate impact the COVID-19 pandemic is having on minority-owned businesses and minority communities. The Federal Reserve is committed to using its available tools to foster a strong, broad-based economic recovery that benefits our nation as a whole. However, monetary policy and emergency facilities are not designed to target particular groups of people or communities. Rather, the way in which the Federal Reserve can best contribute to addressing these problems is through the pursuit of its statutory mandate to foster maximum employment and price stability. In this way, monetary policy promotes a stable, prosperous backdrop against which more direct actions by Congress and the Administration are likely to be most effective.

**Municipal Liquidity Facility (MLF)**

**13. [Chair Powell] Last time you testified here you noted that even though the municipal liquidity facility hasn’t made many purchases, it has “resulted in \$250 billion of borrowing in the private sector,” and that that borrowing is taking place at “much cheaper rates.” The Congressional Oversight Commission examined the facility, and it came to the same conclusion—states and cities have been able to borrow in a way that they never would have been able to if the municipal bond market conditions of March had persisted, and at much lower rates than they would have been able to were it not for the facility. If the facility goes away at the end of the year, will the ability of states and cities to borrow at cheaper rates also disappear?**

The Federal Reserve Board (Board) established the MLF, with broader purchasing authority—in particular, through the MLF, the Board was able to purchase a wider variety of municipal obligations with maturities extending up to three years. The MLF provided an important backstop to the municipal bond market following a period of significant strain in March 2020. After the announcement of the MLF, interest rates on municipal debt fell to historically low levels for nearly all issuers. Moreover, municipal bond issuance recovered and exceeded the previous year’s volume.

The MLF expired on December 31, 2020. The Board will continue to closely monitor financial conditions and market functioning broadly.

**14. [Chair Powell] We've heard some discussion that aid to state and local governments and through the MLF constitute a "blue state bailout," but the \$300 billion in lending that has occurred since the municipal liquidity facility restored calm to the municipal bond market has helped maintain services during the pandemic in blue and red states and cities alike. If the MLF is allowed to expire at the end of the year, do you anticipate that borrowing costs will go up? And won't that make it harder for blue states AND red states to balance their budgets and deal with what remains of this crisis?**

As I mentioned in my response to question 13, from the time of its announcement to its expiration on December 31, 2020, the MLF served as an important backstop to the municipal bond market and restored confidence to municipal market participants. As confidence returned, municipal securities trading, liquidity, new issuance volume, and interest rate relationships returned to more normal market conditions.

**15. [Chair Powell] There has been a big uptick in negative credit outlooks for states and municipal issuers during the pandemic. This trend is especially severe among local governments and transportation agencies, and it is expected to continue, especially if the Municipal Liquidity Facility is allowed to expire. When a state or city or transit authority sees its credit downgraded, its borrowing costs go up. This is not just affecting big blue states like Illinois and New York, but rural communities, airports, and hospitals in red states. Major credit rating agencies have either downgraded or assigned a negative credit outlook to nearly 9,000 issuers this year, and here are a few that I want to highlight: Midwest City, Oklahoma had a negative outlook revision on March 27. So did the Greenville County, South Carolina Tourism Public Facilities Corporation on April 3. Sioux City, Iowa received a negative outlook revision on April 22. Savannah, Missouri had its credit downgraded by S&P on August 2, and the state of Mississippi had two of its bonds downgraded by S&P on October 2. What happens when an issuer has its credit downgraded, and shouldn't we be worried about that regardless of who its residents vote for?**

The COVID-19 pandemic has generated budget stress for state and local governments as revenue from taxes and fees has been depressed, with transportation agencies particularly affected given the sharp declines in commuting and other travel. Moreover, these governments confront the need to fund new expenses required as a result of COVID-19. In this environment, rating downgrades for these issuers have increased. We estimate that the average monthly volume of bond rating downgrades since March 2020 has been about \$16 billion, which compares to the monthly average of \$5 billion over the previous five years. Net downgrades saw a large increase last fall (close to \$100 billion total over the September 2020 to November 2020), which exceeded the substantial jump in downgrades seen in the immediate aftermath of COVID-19 (about \$36 billion April 2020).

Determining the effect of a government downgrade is challenging because municipal credit rating downgrades tend to reflect a deterioration in the current and expected financial condition

of—and economic situation faced by—an issuer. Any changes in a government’s ability to borrow (or to the rate at which it borrows) may reflect the deterioration in the issuer’s financial and economic outlook, as opposed to the downgrade itself. However, several recent studies show that credit ratings play an informational role in municipal credit markets and can affect securities prices directly. Therefore, a downgrade may contribute to increased borrowing costs for a municipality seeing deteriorating economic conditions, which would further compound the fiscal strains it faces. A downgrade can also reduce the availability of funding in municipal bond markets, particularly for smaller or low-rated issuers, which can lead to increased reliance on bank debt, which is more costly to borrowers, or to outright cuts in spending.<sup>3</sup>

That said, the credit quality of municipal debt has seen signs of improving, likely due to optimism about the economic outlook based on vaccine-related news and the passage of additional fiscal stimulus in December 2020. Since December 2020, both the number and volume of credit rating upgrades has somewhat outpaced downgrades, indicating a possible improvement in overall credit quality.

Moreover, financing conditions in the municipal bond market have improved significantly since the early days of the COVID-19 pandemic, with the MLF having contributed to this improvement last year. Currently, conditions remain generally accommodative: Municipal yields across the credit spectrum are near the bottom of their historical distributions and secondary market spreads relative to comparable-maturity Treasury yields stand at or below pre-COVID-19 levels for highly rated issuers. Last year as a whole saw a record volume of municipal bond issuance, driven largely by historically low interest rates. Total issuance of municipal debt has slowed since the beginning of 2021, with the exception of speculative-grade issuance (which was notably higher than the historical monthly average—though it should be noted that speculative-grade debt constitutes only a very small fraction of the outstanding stock of municipal bonds). While spreads for high-yield issuers remain somewhat above their pre-COVID-19 levels, they improved notably since last October and are now close to the low end of their historical distribution.

**17. [Chair Powell] In an October 29 research memo, analysts at Citigroup wrote: “Now, the U.S. economy is definitely not out of the woods as far as the pandemic is concerned, and many state and local governments have indicated that they will utilize the safety net of the MLF to meet their funding needs during market volatility. So, do we see the potential for bouts of market volatility over the next 12 months? Definitely. And, would the soothing presence of MLF backstop facility help assuage this volatility? Absolutely. In our opinion, the Fed should extend the MLF at least for another 12 months until December 31st, 2021.” Do you agree with this analysis?**

Please see the responses to questions 13 and 14.

<sup>3</sup> See, for example, Manuel Adelino, Igor Cunha, and Miguel A. Ferreira, 2017, “The Economic Effects of Public Financing: Evidence from Municipal Bond Ratings Recalibration,” *The Review of Financial Studies*, 30, 3223-3268 and Jess Cornaggia, Kimberly J. Cornaggia, and Ryan D. Israelsen, 2018, “Credit Ratings and the Cost of Municipal Financing,” *The Review of Financial Studies*, 31, 2038-2079.

**22. As pandemic-related protections for renters and homeowners are set to expire at year end, according to a November 9th survey conducted by the U.S. Census Bureau, more than 5.8 million adults say they are somewhat to very likely to face eviction or foreclosure over the course of the next two months which would have a devastating effect on the economy. As COVID-19 cases surge, what actions are Treasury and the Federal Reserve taking to ensure that millions of Americans are not left homeless, further exacerbating the fragile U.S. economy?**

Since the onset of COVID-19 and throughout the resulting economic crisis, the Federal Reserve has deployed a wide range of measures in support of the economy, including reducing the federal funds rate to its effective lower bound; increasing holdings of Treasury securities and of agency mortgage-backed securities; and establishing a range of emergency lending facilities to support the flow of credit to households, businesses, and state and local governments.

As a bank regulator, the Board worked with the other federal financial institution regulators and state regulators to encourage financial institutions to meet the financial needs of customers and members affected by the coronavirus, working constructively with borrowers and other customers in affected communities, assuring banks that prudent efforts that are consistent with safe and sound lending practices would not be subject to examiner criticism. Knowing that the coronavirus emergency also impacted customers, members and operations of financial institutions, the agencies also worked to provide appropriate regulatory assistance to affected institutions to enable them to respond to their unanticipated financial circumstances resulting from income disruptions arising from mandatory closure of businesses.

Because our policy tools are aimed at the economy as a whole, housing-specific assistance is more properly the province elected officials. We will, however, continue to monitor the economic situation.

**23. [Secretary Mnuchin and Chair Powell] As the pandemic continues, what is Treasury and the Fed doing to encourage financial institutions to do all they can to help consumers and small business owners that need forbearance on their mortgage and other obligations?**

Federal financial regulators<sup>4</sup> have released and reiterated several statements to encourage financial institutions to work with their borrowers, and to clarify how bank supervisors will assess such actions. In mid-March 2020, the Federal Reserve encouraged banks to use their capital and liquidity buffers as they lend to households and businesses who are affected by the COVID-19 pandemic. Also in mid-March 2020, these federal financial regulators issued guidance to supervisory staff to clarify how they should assess banks affected by COVID-19, including actions taken by those banks to support their customers and communities. On March 26, 2020, the same regulators issued a joint statement encouraging banks, savings institutions, and credit unions to offer responsible small-dollar loans to consumers and small businesses in response to COVID-19. In early-April 2020, the Federal Financial Institution Examination Council and the state financial regulators issued a joint policy statement providing needed regulatory flexibility to enable mortgage servicers to work with struggling consumers affected by

---

<sup>4</sup> The Federal Reserve Board, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union Administration, and Office of the Comptroller of the Currency.

COVID-19. The Federal Reserve has used its outreach tools including “Ask the Fed” sessions and its public website to answer bankers’ questions and to help foster additional adoption. Finally, examiners have been provided additional training to ensure consistent implementation of examiner guidance during examinations.

I would also note that in April 2020, the Federal Reserve issued guidance regarding Small Business Administration (SBA) and Treasury Small Business Loan Programs (Supervision and Regulation letter SR 20-10) to inform supervised financial institutions about several forms of relief available to small businesses affected by COVID-19. This guidance encourages financial institutions to consider participating in programs administered by the SBA such as the Economic Injury Disaster Loan program under Section 7(b) of the Small Business Act, as well as those programs offered by Treasury. To bolster the effectiveness of the PPP, including providing additional capital relief to participating banks, the Federal Reserve supplied liquidity to participating financial institutions through the PPPLF which extended credit backed by PPP loans to small businesses. In addition, the Federal Reserve has facilitated SBA outreach several times to the banking industry on these programs using Federal Reserve System webinar capabilities.

**27. [Chair Powell] Corporate bankruptcies, downgrades, and defaults are all projected to increase over the next year. Senator Pat Toomey alluded to this possibility when he was quoted last month saying, “If someone wants to make the case that we need the government to give money to people or businesses because they’re struggling, by all means you can make that case. But that’s not a Fed exercise.” As COVID-19 cases surge all around the country, should Congress approve another round of fiscal stimulus to help people and businesses that are struggling? Additionally, should Congress look at past examples, like the Resolution Trust Corporation,[1] and explore creating a “bailout manager” that extends emergency assistance to businesses while protecting workers and the public?**

**[1] [https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport\\_202008.pdf](https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI-TrueNewDealReport_202008.pdf)**

Since the onset of COVID-19 and throughout the resulting economic crisis, the Federal Reserve has deployed a wide range of measures in support of the economy, including reducing the federal funds rate to its effective lower bound; increasing holdings of Treasury securities and of agency mortgage-backed securities; and establishing a range of emergency lending facilities to support the flow of credit to households, businesses, and state and local governments. At the same time, the federal government has provided substantial fiscal support to the economy, including through the Coronavirus Relief and Recovery Act and the Consolidated Appropriations Act, which was enacted after this question was received. Together, fiscal and monetary policy actions have supported a strong—but still incomplete—recovery in economic activity. We will continue to monitor the economic situation. The ongoing discussions about proposed additional fiscal support are most appropriately conducted by elected officials.

#### **Economic Concentration**

**28. [Chair Powell] In September, the Department of Justice requested public comment on potential revisions to interagency guidelines that the DOJ and Federal Reserve use to**

analyze the competitive effects of proposed bank mergers. The DOJ suggested that it is considering weakening the Bank Merger Guidelines by including nontraditional financial services providers - such as online banks - into its competitive analysis. This approach would make it even easier for banks to obtain regulatory approval for mergers. I am concerned by the DOJ's apparent desire to water down the Bank Merger Guidelines, as the agencies' bank merger review is already woefully inadequate. The agencies' practice of rubber-stamping bank mergers has harmed small businesses and consumers, especially in low- and moderate-income communities. Has the Federal Reserve consulted with the DOJ about potential revisions to the interagency Bank Merger Guidelines? Will you commit that the Federal Reserve will not make any changes to the Bank Merger Guidelines that would further weaken the competitive analysis?

The Board has had, and will continue to have, discussions with Department of Justice (DOJ) staff about the DOJ's request for comment on the bank merger review analysis.

The Board is required to consider the competitive effects of proposed bank merger transactions and takes seriously its responsibility to evaluate the competitive effects of transactions. The Board has always coordinated its competitive analysis for bank mergers with the DOJ.

Healthy, vibrant, and competitive banking markets are good for consumers and businesses, and it is important that bank antitrust analysis remains as dynamic as the banking system. Over time, there have been significant changes in the structure and delivery of banking products and services. The Board monitors these developments on an ongoing basis and make adjustments to our competitive analysis to account for them. For instance, as thrifts and credit unions have become more direct competitors of commercial banks, the Board has taken into consideration the competitive influence of these institutions in local banking markets.

**30. [Chair Powell] Recent financial stability reports from both of your agencies showed a starkly different approach to managing climate risks, with the Fed emphasizing the importance of managing climate risks and the Office of Financial Research sounding a more dismissive note. The nonprofit organization Ceres was recently asked about the financial risks of climate change and told the *Washington Post*, "If there is anything COVID taught us, it's that you can shock the system. We don't want it to happen again. And climate risk is as great, if not bigger, than the subprime meltdown risk at the end of the 2000s, or COVID risk." [1] Do you agree with this assessment, and if so, what steps should the Financial Stability Oversight Council take under new leadership to evaluate that risk?**

**[1] Washington Post, *What the Janet Yellen pick for Treasury means for climate policy*, (November 25, 2020)**

As we note in our recent Financial Stability Report, climate change could pose important risks to the financial system.<sup>5</sup> A lack of clarity about the exposures to climate risks for physical and financial assets, coupled with uncertainty about the size and timing of these risks, makes

<sup>5</sup> Federal Reserve, Financial Stability Report, <https://www.federalreserve.gov/publications/2020-november-financial-stability-report-purpose.htm> (November 2020).

assessing the risks to financial stability complex. The Federal Reserve is in the early stages of evaluating and investing in ways to deepen its understanding of the full scope of implications of climate change for markets, financial exposures, and interconnections between markets and financial institutions. We commit to making these efforts as public as possible.

The Treasury Secretary chairs the Financial Stability Oversight Council (FSOC) and is better placed to speak to the steps the FSOC is taking to evaluate climate-related risks.

**31. [Chair Powell] In the Federal Reserve’s financial stability report released in November, you flagged climate change as a financial stability risk for the first time and highlighted policies that would “moderate climate-related financial vulnerabilities or the likelihood of large shocks.” Can you describe how our financial system is vulnerable to climate-related shocks, and what policies the Fed is developing in response?**

**[Chair Powell] The Fed also announced last month that it would join an international body of central banks seeking to monitor and address the financial stability risks of climate change called the Network for Greening the Finance System (NGFS). Testifying before our committee last month, Vice Chair Quarles told us that the Fed been “talking with the NGFS about joining them for some time. They had indicated that that would not be possible until recently.” What changed?**

As I noted in my response to question 30, climate change could pose significant risks to the financial system. Climate change, which increases the likelihood of dislocations and disruptions in the economy, is likely to increase both financial shocks and financial system vulnerabilities that could further amplify these shocks. Specifically, storms, droughts, floods, and wildfires can quickly alter, or reveal new information about, future economic conditions or the value of real or financial assets. This could lead to an abrupt repricing of climate-sensitive assets. Moreover, the high degree of uncertainty around the timing and intensity of severe weather events and disasters, and poorly understood relationships between these events and economic outcomes, may lead to a mispricing of risk, and thus increased leverage or financial contagion.

It is important that we take steps to ensure that our financial system is resilient to all material risks, including risks posed by climate change. Understanding the potential implications of climate change for financial stability is incredibly complex, and we are in the early stages of identifying and assessing this risk and what should be done about it. We are investing in the granular data and research needed to better understand the relationships between climate risks and economic and financial risks. We also continue our support for enhanced, more standardized disclosures that will contribute to increased transparency and efficient pricing of risk.

To ensure the resilience of supervised firms to climate-related financial risks, the Federal Reserve recently established a system-wide Supervision Climate Committee (SCC). Our plan is to develop a supervisory program to ensure banks are appropriately taking into account climate-related risk in their management of financial risks. Of course, this supervisory program will need to be tailored appropriately to the size, complexity, and geographical differences across supervised institutions. We will also continue to collaborate with other central banks and supervisory authorities through participation in organizations like the Network for Greening the

Financial System (NGFS), the Basel Committee on Banking Supervision, and the Financial Stability Board.

On December 15, 2020, the Federal Reserve announced that we formally joined the NGFS. We have been attending NGFS meetings as a guest and participating in NGFS activities for more than a year. Given our ongoing participation and strong interest in the work of the NGFS, particularly in a new work stream focused on identifying data gaps, the Board voted unanimously to join the NGFS as a full member. Through this forum, we look forward to deepening our discussions with more than 80 central banks and supervisory authorities from around the world, sharing research and identifying best practices to ensure the financial system is resilient to climate-related risks.

MAXINE WATERS, CA  
CHAIRWOMAN

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

PATRICK MCHENRY, NC  
RANKING MEMBER

December 3, 2020

The Honorable Dr. Mark A. Calabria  
Director  
Federal Housing Finance Administration  
400 7th Street, SW  
Washington, DC 20219

Dear Director Calabria:

It is my understanding that despite requests from my staff for you to testify before the Committee on Financial Services in December, you have chosen to make yourself unavailable until sometime next Congress. Considering the Federal Housing Finance Agency's (FHFA) release of the final rule entitled "Enterprise Regulatory Capital Framework Final Rule" on November 18, 2020,<sup>1</sup> as well as recently reported efforts to rush Fannie Mae and Freddie Mac (collectively, the Enterprises) out of federal government conservatorship,<sup>2</sup> along with conversations the Secretary of the Treasury recently confirmed to the Committee that he is having with you on this topic,<sup>3</sup> I believe it is critical that you testify before our Committee as soon as possible. Just a few months ago, you testified before our Committee and reassured Members that the process for releasing the Enterprises from conservatorship would be "process driven, not calendar driven."<sup>4</sup> However, finalizing a new capital framework and making significant changes to the Senior Preferred Stock Purchase Agreements or otherwise making plans for a release in the middle of a national pandemic and recession appears to be purely "calendar driven" as your time as the Director of FHFA and that of the Trump Administration is winding down. You have a duty to be transparent with Congress regarding any steps you are taking to implement such a major decision that could seriously compromise the stability of the housing market and overall national economy. Therefore, I want to be clear that it is my expectation that you should not take any further steps in this regard until you have come before our Committee.

Our country is in the middle of a pandemic and economic downturn that has over 2.8 million homeowners in forbearance,<sup>5</sup> with 3.8 million homeowners estimated to be in some stage of delinquency,<sup>6</sup>

<sup>1</sup> [RIN-2590-AA95](#)

<sup>2</sup> Wall Street Journal, "Fannie, Freddie Overseer Looks to End Federal Control Before Trump Leaves," Nov. 20, 2020.

<sup>3</sup> Financial Services Committee, "Hybrid Hearing - Oversight of the Treasury Department's and Federal Reserve's Pandemic Response," Dec. 2, 2020.

<sup>4</sup> Financial Services Committee, "Virtual Hearing - Prioritizing Fannie's and Freddie's Capital over America's Homeowners and Renters? A Review of the Federal Housing Finance Agency's Response to the COVID-19 Pandemic," Sept. 16, 2020.

<sup>5</sup> Mortgage Bankers Association, "Share of Mortgage Loans in Forbearance Increases to 5.54 Percent," Dec. 1, 2020.

<sup>6</sup> Mortgage Bankers Association, "Mortgage Delinquencies Decrease in the Third Quarter of 2020," Nov. 10, 2020.

The Honorable Dr. Mark A. Calabria  
 December 3, 2020  
 Page 2 of 2

and an administrative foreclosure moratorium standing between millions of homeowners,<sup>7</sup> potential bankruptcy, and even homelessness. Further, as this turmoil rages on, affecting borrowers of color disproportionately,<sup>8</sup> your agency's response to the pandemic has been criticized as falling short.<sup>9</sup> And yet, rather than focusing on responding to the pandemic, FHFA has been focused on finalizing a rule establishing a new, complex capital framework for the Enterprises with little analysis and that is expected to disrupt historically low interest rates, increase the cost of lending for borrowers, and push millions of credit-worthy borrowers out of affordable lending options.

On November 3, 2020, the American people spoke with their votes at the ballot box and delivered a clear mandate. As such, it is incumbent upon you to recognize the will of the American people and cease and desist from finalizing any "midnight rules" or other administrative actions until President-Elect Joseph R. Biden is sworn into office on January 20, 2021 and his Administration can review. Such rulemaking and actions undermine our country's regulatory process, and indeed our democracy, by rushing through controversial policies that could have sweeping effects on families and our economy without transparency, rigor, and legitimacy. Moreover, because President Trump and your agency had barred access to President-Elect Biden's transition team unnecessarily for 20 days, flouting precedence and undermining our democratic traditions, any actions taken by your agency before inauguration will be met with heavy scrutiny and may be overturned under the Congressional Review Act during the next Congress.

I believe that it is entirely inappropriate for you and your agency to be focusing on releasing the Enterprises from conservatorship during the pandemic with the assistance of a lame duck Treasury Secretary. At the very least, the Congress and the American public deserve transparency from you. On behalf of current homeowners, renters, potential homebuyers, and more than 19 million prospective millennial homeowners,<sup>10</sup> I urge you to fully engage with Congress by testifying before our Committee and to immediately halt your efforts to raise the Enterprises' capital requirements and to release them from conservatorship. You should instead focus on ensuring that renters and homeowners are receiving the help they need during this pandemic. I look forward to working with you to find a mutually agreeable time for you to testify before the Committee.

Sincerely,



MAXINE WATERS  
 Chairwoman

cc: The Honorable Patrick McHenry, Ranking Member

<sup>7</sup> FHFA, "[FHFA Extends Foreclosure and REO Eviction Moratoriums](#)," Dec. 2, 2020.

<sup>8</sup> Census Bureau, "[Week 19 Household Pulse Survey: November 11 – November 23](#)," Dec. 2, 2020.

<sup>9</sup> CNN, "[The Trump administration may turn a health crisis into a housing crisis](#)," Apr. 10, 2020.

<sup>10</sup> Urban Institute, "[More than 19 million millennials in 31 US cities are ready to become homeowners](#)," Sept. 26, 2018.



**Jim Nussle**  
President & CEO  
Phone: 202-508-6745  
jnussle@cuna.coop

99 M Street SE  
Suite 300  
Washington, D.C. 20003-3799

December 1, 2020

The Honorable Maxine Waters  
Chairwoman  
House Financial Services Committee  
United States House of Representatives  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
House Financial Services Committee  
United States House of Representatives  
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of America's credit unions, I am writing regarding the hearing entitled, "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response." The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

The COVID-19 global pandemic is an unprecedented public health crisis that has resulted in an economic crisis impacting all sectors of society. Congress anticipated the potential for widespread economic catastrophe through the enactment of the Coronavirus Air, Relief and Economic Security (CARES) Act which included a wide range of support for Americans impacted by the pandemic and our economy in general.

This hearing is focused on the work that the Department of Treasury (Treasury) and the Federal Reserve Board of Governors have done to implement the CARES Act. Certainly, the work of these bodies has played a significant role in the stabilization of the economy. Other agencies, including the Small Business Administration (SBA) and the National Credit Union Administration (NCUA), also have used CARES Act authorities to minimize the adverse impact of the crisis on individuals and small businesses alike. And, credit unions have played an important role in carrying the spirit of the CARES Act to their members by participating in the SBA's Paycheck Protection Program (PPP), modifying troubled loans and ensuring that members get the assistance they need to weather this crisis.

Our comments on the implementation of the CARES Act include our views on how SBA and Treasury have implemented the PPP, but we also call on Congress to extend essential CARES Act provisions that expire at the end of the month, including the Troubled Debt Restructuring and Central Liquidity Facility provisions.

#### **Paycheck Protection Program**

The SBA and Treasury's implementation of the Paycheck Protection Program (PPP) left much to be desired as credit unions and other lenders experienced periodic inability to access to the E-Tran system and occasional unresponsiveness to credit unions asking for assistance.

Despite these issues, credit unions were proud to offer PPP loans to help small business owners recover from the impact of the pandemic, facilitating more than 170,000 loans that averaged just \$49,000. Through this program, credit unions helped Main Street America including businesses like non-profit organizations that are helping the minority communities in the cities of Wilmington and minority owned businesses in the lower east side of New York such as a small deli, tiny photography businesses, and the neighborhood bakery, among many others.

While PPP lending has concluded, there are several steps that SBA should take if additional funds become available. SBA should improve their national and regional operation in order to provide more timely feedback to lenders and borrowers, including lender prioritization guidance, official guidance formalizing the use of PPP forms and guidance on the loan

 [cuna.org](https://cuna.org)

purchasing process. Furthermore, the SBA should issue guidance and forms to reflect that privately insured state-chartered credit unions are eligible to lend through the program.

Now that the PPP program has transitioned to the loan forgiveness phase, credit unions are concerned that the loan forgiveness process is overly complicated for most businesses. The process is so complex that most businesses may need to retain counsel to navigate the application process – an expense many of the smallest businesses cannot afford during normal times, much less in this crisis. The SBA did take steps to simplify the forgiveness process for smaller loans, but more needs to be done to ensure that small business can complete forgiveness paperwork without outside assistance.

We are also concerned about the impact of the SBA's loan necessity questionnaires on the good faith attestations of borrowers. We fully support the SBA's review and oversight of PPP loans but are concerned that review process could adversely impact lenders and borrowers.

In order to allow America's small business owners and Main Street financial institutions to remain focused on serving their communities rather than jumping through burdensome regulatory hurdles, we urge Congress to implement policy that provides automatic loan forgiveness for PPP loans. We strongly support H.R. 7777, the Paycheck Protection Program Small Business Forgiveness Act, introduced by Representatives Houlihan and Upton, and its Senate companion S. 4117. This legislation would provide forgiveness for PPP loans of \$150,000 or less if the borrower submits an attestation form to the lender. It also ensures that the lender will be held harmless from any enforcement action if the borrower's attestation contained falsehoods.

Additionally, credit unions have been concerned about PPP related liability since the onset of the program. Now, we are beginning to see lawsuits are being filed to remedy perceived issues with aspects of the PPP. The interim final rules provided little guidance on critical aspects of the program, such as the documentation required to determine eligibility, the process for submission and approval of the loans by the SBA, the collection of servicing fees, and the determination of funds to be forgiven. This lack of guidance shifts too much liability to the lender and creates too much process risk relative to the limited interest rate. Thus, we call on Congress to enact commonsense liability protections for PPP lenders.

#### **Central Liquidity Facility (CLF)**

The CARES Act included a much-needed expansion of the NCUA's Central Liquidity Facility (CLF), allowing corporate credit unions to act as agents for natural person credit unions and expanding the CLF's borrowing authority from 12 times the paid in capital to 16 times. These changes make the CLF more accessible to credit unions and expand the amount of liquidity NCUA could provide credit unions. The exemption is set to expire at the end of 2020.

Given the unprecedented nature and the depth of this pandemic and the subsequent economic crisis, we urge Congress to expand the CLF's borrowing authority to 25 times the paid in capital, extend the expanded borrowing authority until December 31, 2021, and to make permanent the ability of corporate credit unions to act as agents for credit unions.

The consequence of not having these provisions in place prior to this crisis is that NCUA has had to engage in a membership campaign for the CLF, asking credit unions to contribute capital to the facility at the very time credit unions are most reluctant to give up capital. Congress should take steps to ensure the long-term viability of the CLF, so that it can be prepared to help credit unions in future crises.

#### **Troubled Debt Restructuring (TDR)**

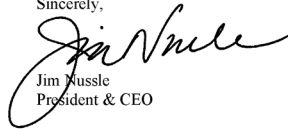
Section 4013 of the CARES Act exempts COVID-related loan modifications from TDR treatment if a loan was current either on December 31, 2019 or at the time of modification. The provision is set to expire at the end of the month. Another provision of the CARES Act, Section 4022, states that federally backed mortgages (Fannie, Freddie, VA, or FHA) may request loan forbearance for up to 12 months during the national emergency. As a result of the unintentional misalignment of these two provisions of the CARES Act will result in variations in accounting treatment and operational complexities that make it more difficult for consumers to obtain loan modifications.

Credit unions want to help as many Americans as possible. Under the CARES Act, credit unions are required treat members with Federally backed loans in a certain way, and they have been doing that. But it's critically important to extend that same accommodation to other borrowers who need it. We need consistency in how consumers are treated. Therefore, we urge Congress to extend the CARES Act's temporary TDR relief for an additional year, until the end of 2021.

Credit unions work every day to improve their members' financial well-being and advance the communities they serve. They're fulfilling that mission every day as they work to help member impacted by the pandemic and remain in a position to serve their members and communities into recovery. It is critical that Congress take action to extend the CARES Act provisions before they expire and work to improve the PPP.

On behalf of America's credit unions and their more than 120 million members, thank you for holding this important hearing.

Sincerely,



Jim Nussle  
President & CEO



3138 10th Street North  
Arlington, VA 22201-2149  
703.522.4770 | 800.336.4644  
f: 703.524.1082  
nafcu@nafcu.org | nafcu.org

**National Association of Federally-Insured Credit Unions**

December 1, 2020

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
United States House of Representatives  
Washington, D.C. 20515

**Re: Tomorrow's Hearing: "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response"**

Dear Chairwoman Waters and Ranking Member McHenry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on issues of importance to credit unions ahead of tomorrow's hearing, "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response," with Treasury Secretary Steven T. Mnuchin and Federal Reserve Chairman Jerome H. Powell. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 122 million consumers with personal and small business financial service products. We would like to thank you for this opportunity to provide input on how credit unions are addressing the pandemic and share areas where further help is needed.

Credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working with them during these times of economic uncertainty. As we have shared with you before, credit unions have voluntarily implemented programs to protect their members' financial health, including skipping payments without penalty, waiving fees, low or no-interest loans, loan modifications and no interest accruals. While there were important steps to help credit unions and their members in the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), there remain a number of areas that we believe must be addressed by Congress and the Administration in any additional relief legislation to ensure that credit unions have the necessary tools to continue to support their members through this crisis. Key among these are the inclusion of H.R. 7777, the *Paycheck Protection Small Business Forgiveness Act*, and the extensions of the changes to the National Credit Union Administration's (NCUA) Central Liquidity Facility (CLF) and Troubled Debt Restructuring (TDR) provisions from the CARES Act. These and other issues for consideration are outlined in more detail below.

**CARES Act Relief Measures That Should Be Extended and/or Modified**

**Section 1102: Paycheck Protection Program**

Credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times, and their response through the Paycheck Protection Program (PPP), the Small Business Administration (SBA) lending program created by section 1102 of the CARES

The Honorable Maxine Waters, The Honorable Patrick McHenry  
 December 1, 2020  
 Page 2 of 4

Act, was tremendous. However, NAFCU believes it is important to simplify the loan forgiveness process and application for smaller PPP loans. While credit unions are working with their members to assist them with the current loan form, the complexity of the forgiveness rules and application is posing challenges for many small businesses who may not have the staff or expertise for such a complex application, especially with the current economic challenges. As such, NAFCU is supportive of a simplified loan forgiveness process for PPP loans under a \$150,000 threshold, such as proposed in H.R. 7777, the *Paycheck Protection Small Business Forgiveness Act*, and we urge you to enact this important measure by passing it on its own or by adding this language to any pandemic relief legislation.

With the authorization of the PPP having now expired, more must be done to help our nation's small businesses. Any reauthorization of the PPP must ensure community institutions such as credit unions can continue to play an important role in helping their member small businesses. Congress must also look beyond the PPP to help our nation's businesses, and can take an important step by passing H.R. 6789, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, which would provide relief from the arbitrary credit union member business lending (MBL) cap for loans to small businesses recovering from the impacts of the pandemic.

*Section 1110: Economic Injury Disaster Loan (EIDL) Program*

As you are aware, section 1110 of the CARES Act expanded the SBA's EIDL Program and permitted EIDL applicants to request an advance of up to \$10,000 to help them survive the sudden revenue shock due to COVID-19. With the tremendous uncertainty during the early days of the pandemic, many small businesses applied for both an EIDL advance and PPP loan, uncertain if they would receive either one. Lenders processing PPP applications were often unaware that the small business sought or received an EIDL advance. Moreover, small businesses relied on early SBA guidance that indicated EIDL advances would be treated as grants. However, later guidance made clear that if a borrower receives an EIDL advance and PPP loan, the amount of the advance must be reduced from the loan forgiveness amount. As small businesses apply for PPP loan forgiveness, many have been shocked to learn about this unexpected debt burden. For small businesses, this debt burden is both shocking and a devastating blow at a time when they are already struggling to survive. For lenders such as credit unions, who were often unaware of a business's EIDL advance when underwriting a PPP loan, this means an unexpected burden on their balance sheets, which ties up capital that could be better used to serve their communities. We urge you to act swiftly to address this issue and exclude EIDL advances from the PPP forgiveness calculation, as proposed by bipartisan legislation such as H.R. 8361, the *EIDL Forgiveness Act*.

*Section 4016: NCUA's Central Liquidity Facility (CLF)*

We support, and ask that you make permanent, the changes to the CLF in section 4016 of the CARES Act. We would note that NCUA Chairman Rodney Hood and Board Member Todd Harper have both called on Congress to make these changes permanent. The CLF is an important liquidity tool for credit unions, and the recovery ahead will likely extend beyond the end of 2020, when the changes are currently set to expire. NAFCU believes strong liquidity is vital to ensuring loans to struggling families and small businesses continue to flow within the credit union system. An extension of this provision through the end of 2021 is also included in the aforementioned H.R. 6789.

The Honorable Maxine Waters, The Honorable Patrick McHenry  
 December 1, 2020  
 Page 3 of 4

Section 4013: Troubled Debt Restructuring (TDR)

NAFCU appreciates the provisions in section 4013 of the CARES Act giving the NCUA broad authority to suspend Generally Accepted Accounting Principles (GAAP) requirements with respect to loan modifications related to COVID-19 that would otherwise be categorized as TDRs. We urge extension of this flexibility to at least December 31, 2021, to allow any post-forbearance workouts to be included in the applicable period. NAFCU also supports H.R. 7913, the *Financial Institution Forbearance Act*. This legislation extends and expands the TDR relief provisions put into effect by the CARES Act.

Section 4008: Deposit Insurance

NAFCU would like to highlight the lack of parity between credit unions and community banks in section 4008 of the CARES Act. This section appears to allow the Federal Deposit Insurance Corporation (FDIC) to establish an unlimited maximum guarantee, whereas the “equivalent” provision for the NCUA appears to only apply to noninterest bearing transaction accounts. Should you opt to extend this coverage, we ask that you consider providing the NCUA with the same powers as the FDIC, extending their ability to establish a maximum guarantee to all shares or deposits held in a federally-insured credit union.

Section 4014: Current Expected Credit Loss (CECL)

Credit unions remain well-capitalized as an industry and stand ready to help in the economic recovery. However, new accounting requirements could stymie these efforts. Even though the Financial Accounting Standards Board (FASB) has delayed its new Current Expected Credit Loss (CECL) standard for credit unions until the first quarter of 2023, credit unions will have to start bringing their portfolios in line in 2021 and 2022. The temporary relief for 2020 provided in section 4014 is a good first step. Still, CECL will remain a burden on credit unions as the economy recovers. This could cause constraints on lending and delay our nation’s economic recovery. NAFCU believes that credit unions, as not-for-profit cooperative institutions, should not be subject to the CECL standard as they did not engage in the irresponsible practices that precipitated the Great Recession. If credit unions are not exempted, further delaying implementation of this standard could help provide additional clarity and relief for credit unions. We would note that NCUA Chairman Hood called for a credit union exemption to the CECL Standard in an April 30, 2020 letter to FASB, stating that “...the compliance costs associated with implementing CECL overwhelmingly exceed the benefits.”

Section 4012: Community Bank Leverage Ratio

Section 4012 of the CARES Act provides banking regulators with the authority to temporarily lower the Community Bank Leverage Ratio (CBLR) from nine percent to eight percent. Before the pandemic, the NCUA Board had expressed interest in adopting an analog to the CBLR in conjunction with its risk-based capital rule; however, the more immediate constraint on credit union capital takes the form of statutorily prescribed net worth levels under the *Federal Credit Union Act*’s (FCU Act) prompt corrective action (PCA) provisions. In his April 29, 2020 letter to Senate Banking Committee Chairman Mike Crapo, NCUA Chairman Hood requested temporary capital flexibility for the NCUA and credit unions. Specifically, he asked for “a reduction in the level at which credit unions are considered well capitalized from a net-worth ratio of seven percent to six percent and adequately capitalized from six percent to five percent during the pandemic.”

The Honorable Maxine Waters, The Honorable Patrick McHenry  
December 1, 2020  
Page 4 of 4

Any extension of the CBLR must also include this temporary capital flexibility for credit unions, so that credit unions may loan more to their members who need it.

As the Committee hears from Administration officials, we urge you to encourage them to take any action in their power to address these issues until such time as Congress can enact additional relief.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at (703) 258-4981 or [lplush@nafcuh.org](mailto:lplush@nafcuh.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Thaler".

Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the U.S. House Committee on Financial Services



**Charlie Oppler**  
2021 President

**Bob Goldberg**  
Chief Executive Officer

**ADVOCACY GROUP**

**Shannon McGahn**  
Chief Advocacy Officer

**November 30, 2020**

The Honorable Steven T. Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Mark Calabria  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20219

Dear Secretary Mnuchin and Director Calabria:

Thank you for your ongoing efforts to ensure Fannie Mae and Freddie Mac (the Enterprises) continue to support homeowners and the economy during these uncertain times. The response to COVID-19 and the need for housing security is critical, now and in the future.

The National Association of REALTORS® urges the Treasury and FHFA to forestall advancing the pre-finalized enterprise capital rule and making any changes to the preferred stock purchase agreements that could endanger market stability by ending the conservatorship. The agencies must be prudent in exercising regulatory restraint in the best interests of the recovering economy until after the pandemic is under control. The Enterprises currently support nearly 75% of home purchases and are one of the few bright spots supporting the frail economy. The potential combination of economic uncertainty and a rushed process to end conservatorship could have significant negative consequences homeowners, homebuyers and the broader economy.

REALTORS® are concerned these efforts will need to be redoubled in the months ahead as COVID infection rates rise, social distancing efforts stymie economic growth, and unemployment insurance support wains. Efforts to reform the Enterprises at this time could undermine their ability to support the broad national market during this crisis. Worse, a rush to expedite the transition of the Enterprises through conservatorship without thoughtful analysis and industry input could jeopardize the reforms to date, the Enterprises' future and that of the U.S. housing market. Both the [Structured Finance Association](#) and [coalition of reinsurance investors](#) have already voiced warning and concern over the impact of the capital rule and changes to the preferred stock purchase agreements. Furthermore, market



500 New Jersey Ave. NW  
Washington, DC 20001-2020  
(800) 874-6500  
[www.nar.realtor](http://www.nar.realtor)



REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

experts including [Andrew Davidson and Company](#) have sounded the alarm over the higher cost for consumers, risks to taxpayers, decline in competition in both MBS and insurance markets, and the likelihood that the GSEs will chase riskier business due to the recent capital rule.

Once again, REALTORS® thank the Treasury and FHFA for your actions to aid in the pandemic response and to support small businesses and homeowners. However, now is not the time to upend a system that has served the country well through this pandemic with a dramatic and untested new venture. Now is the time to act to prioritize homeowners, renters, homebuyers, workers, and the entire American economy. NAR appreciates the opportunity to provide input and look forward to continuing to work together on these important issues. If you have any questions, please contact me or NAR Senior Policy Representative, Ken Fears, at 202-383-1066 or [KFears@NAR.REALTOR](mailto:KFears@NAR.REALTOR).

Sincerely,



Charlie Oppler  
2021 President, National Association of REALTORS®

December 1, 2020

The Honorable Congresswoman Maxine Waters  
U.S. House of Representatives  
2221 Rayburn House Office Building  
Washington, DC 20515



Dear Chairwoman Waters,

On behalf of PATH (People Assisting The Homeless), I wanted to thank you for your leadership during the ongoing COVID-19 pandemic.

As you know, PATH started in Los Angeles back in 1983, but we have since grown to become a Statewide homeless services and housing organization, serving over 20% of the State's homeless population. In order to meet the moment, we have grown our sites and services during the pandemic, including:


- Two new regions (Orange County and Sacramento County)
- Four isolation and quarantine sites (Los Angeles County), with over 600 rooms combined
- Opened three Project RoomKey sites (Los Angeles County and Santa Barbara County)
- Opened three Project HomeKey sites (Los Angeles County and San Diego County)
- Opened six interim shelters (Los Angeles County, Santa Clara County, and Orange County), adding over 900 shelter beds across the State
- Opened three permanent supportive housing projects (Santa Clara County and San Diego County), adding nearly 200 new units
- Launched PATH Cooks Mobile (San Diego) to deliver meals to clients staying in emergency shelters at motels
- Expanded our street outreach programs citywide in both the City of San Diego and City of La Mesa

While the State of California was placed under a "shelter-in-place" mandate, PATH was considered essential "frontline" services. Therefore, we have kept our services operating all year without interruption. This means our staff are still reporting to work—providing street outreach, operating interim housing facilities, performing case management for people in homes, recruiting landlords, and providing the support tasks (e.g., finances, human resources, and operations) to keep our programs going.

Despite these efforts, we remain unable to access both the Paycheck Protection Program (PPP) and the Main Street Lending Program (MSLP) due primarily to our size. As a mid-sized nonprofit, we currently have over 900 staff. We have seen increased costs and responsibilities, yet we simultaneously have seen significant reductions in our donations and volunteers. We urge you to open the PPP and MSLP to mid-sized nonprofits, and to ensure that loan terms are kept low risk so that we have true access to these much needed funds.

Thank you again for your dedication to ending this pandemic and recession, as well as your continued support in the fight to end homelessness. Please do not hesitate to call upon PATH if we provide further background.

Respectfully,

  
Joel John Roberts  
Chief Executive Officer  
PATH



Oversight of the Treasury Department's and Federal Reserve's Pandemic Response Hearing  
 U.S. House Committee on Financial Services  
 December 2, 2020  
 Statement for the Record

The undersigned groups represent mid-sized nonprofits with more than 500 employees who are unable to access any sort of forgivable loans through the Paycheck Protection Program (PPP). According to the U.S. Bureau of Labor Statistics, nonprofits with more than 500 employees employ 7.7 million people. Nonprofits are the third largest employer in the economy after manufacturing and retail.

Mid-sized nonprofits (500 to 10,000 employees) have largely been left behind from COVID-relief efforts. Many of these same nonprofits have faced steep declines in both donations and volunteers, while simultaneously tackling the unanticipated costs of personal protective equipment and hazard pay for key staff, among other increased costs. Many of us have seen increased demand for services during this time. It has become exceedingly difficult for us to meet our mission and sustain our workforces during these dark times, especially given the absence of available Federal support.

Released earlier this year from data collected in June by Independent Sector, [spot-check survey data](#) of 110 mid-size nonprofits illustrated nonprofits with between 500-5,000 employees have been severely impacted by this health and economic crisis: 51% have laid off employees, 67% have furloughed employees, and 71% reported a reduction in services or available operations.

We are very disappointed with Treasury's entire handling of the Federal Reserve's Main Street Lending Program (MSLP) for nonprofits. When MSLP was finally extended for nonprofit organizations, the terms included a number of provisions that made it impossible for most mid-sized charities to qualify. Treasury and the Federal Reserve then continued to ignore nonprofit organizations' concerns about the viability of the program. As a result, the MSLP program has remained inaccessible to nonprofits – borne out by the fact that not one nonprofit had applied at last reporting. Instead of modifying the MSLP to help nonprofits serving families and communities during this crisis, Secretary Steven Mnuchin and Federal

Reserve Board Chairman Jerome Powell decided to close most of the emergency facilities, including MSLP, at the end of the year. This is a missed opportunity.

Mid-size nonprofits still need relief as a bridge until we and the country can start to recover. We strongly urge Congress to ensure mid-size nonprofits have access to loans with loan forgiveness. In any bipartisan COVID package, we ask that the Paycheck Protection Program expand eligibility to include charitable nonprofits with more than 500 employees while raising the cap to reflect the payroll of these charities.

We also seek the expansion of Employee Retention Tax Credits (ERTC). For mid-size nonprofit organizations, in particular, the ERTC is a critical form of potential relief, and nonprofits are seeking support for the most generous terms possible for ERTC expansion. In addition to the co-signers of this statement, nearly 4,000 charitable nonprofits of all sizes are supporting these two requests.

As you know and appreciate, nonprofits of all sizes are essential to the wellbeing of our nation. Individuals, families, and communities are relying on the expertise and resources of nonprofits to aid the fight against COVID-19 and will continue to depend on our support in the recovery efforts.

We need both of these relief opportunities to allow us to continue our collective work during the pandemic and into a post-pandemic future.

American Cancer Society Cancer Action Network

American Heart Association

American Lung Association

Center for Creative Leadership

ETS

Habitat for Humanity International

March of Dimes

National MS Society

PATH

San Diego Zoo Global

YMCA of the USA

