

**THE QUARTERLY CARES ACT REPORT TO  
CONGRESS**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON**  
**BANKING, HOUSING, AND URBAN AFFAIRS**  
**UNITED STATES SENATE**  
ONE HUNDRED SIXTEENTH CONGRESS  
SECOND SESSION  
ON  
EXAMINING TESTIMONY FROM THE SECRETARY OF THE TREASURY  
AND THE CHAIRMAN OF THE FEDERAL RESERVE, AS REQUIRED  
UNDER TITLE IV OF THE CARES ACT

DECEMBER 1, 2020

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



Available at: <https://www.govinfo.gov/>

U.S. GOVERNMENT PUBLISHING OFFICE

WASHINGTON : 2021

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# THE QUARTERLY CARES ACT REPORT TO CONGRESS

TUESDAY, DECEMBER 1, 2020

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

The Committee met at 10 a.m., in room SD-106, Dirksen Senate Office Building, and via Webex, Hon. Mike Crapo, Chairman of the Committee, presiding.

## OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman CRAPO. This hearing will now come to order.

This hearing is in a hybrid format, and the hearing room has been configured to maintain the recommended 6-foot social distancing between Senators, witnesses, and other individuals in the room necessary to operate the hearing, which we have kept to a minimum.

For those joining remotely, a few videoconferencing reminders which you should all be very familiar with at this point.

Once you start speaking, there will be a slight delay before you are displayed on the screen. To minimize background noise, please click the “Mute” button until it is your turn to speak or ask questions. If there is a technology issue, we will move to the next Senator until it is resolved.

Once again, I remind all Senators and our witnesses that the 5-minute clock still applies. Those remote should have on your screen one of the boxes labeled “Clock” that will show how much time is remaining. We have had some trouble getting those boxes on everybody’s screen, apparently, or at least getting everybody to be able to find them and follow them. And so we are going to continue a practice that we started at the last hearing. At 30 seconds remaining, you will hear a bell ring to remind Senators that their time is almost expired. I encourage the Senators and our witnesses to recognize that bell and wrap things up on the answers as well as the questions in time to keep within the 5 minutes.

To simplify the speaking order process, Senator Brown and I have again agreed to go by seniority in this hearing.

Today we welcome the witnesses to the Committee to provide testimony as required under Title IV of the CARES Act. Our witnesses are: the Honorable Steven T. Mnuchin, Secretary of the Department of Treasury; and the Honorable Jerome H. Powell, Chairman of the Board of Governors of the Federal Reserve System. Welcome to both of you.

On November 19, Treasury Secretary Mnuchin requested for the Federal Reserve to return unused funds that had been appropriated under Title IV of the CARES Act for 13(3) facilities and direct loans.

I agree with Secretary Mnuchin on the success of the 13(3) facilities and the termination language in the CARES Act.

The 13(3) facilities funded under the CARES Act were effective and fulfilled their purpose to stabilize markets, facilitate credit flow, and provide liquidity.

The *Wall Street Journal* editorial board summed it up well: “All of these programs were created in an emergency at the onset of the pandemic when the financial markets were in danger of melting down.”

Adding that, “The programs worked. Even as the pandemic and Government shutdowns have waxed and waned, financial markets have healed. Lending spreads have fallen, and liquidity is ample in nearly all markets.”

The most recent Federal Reserve Financial Stability Report pointed to some of these successes.

It said, “the announcements of the Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, and Municipal Liquidity Facility in late March and early April led to rapid improvements in corporate and municipal bond markets well ahead of the facilities’ actual opening.”

The report also said, “Since the announcement of the backstop facilities and funding market stabilization measures, more than \$1 trillion in new nonfinancial corporate bonds and more than \$250 billion in municipal debt have been issued, purchased almost entirely by the private sector.”

With respect to asset-backed securities, the report noted that, “Similar to other backstop facilities, while outstanding balances in the Term Asset-Backed Securities Facility have remained modest, spreads in the asset-backed securities market have narrowed considerably, and private market issuance has resumed.”

With just 1 month until the December 31 termination date, only \$195 billion of the \$454 billion needed to be allocated to the 13(3) facilities, and those facilities have not been extensively used to date.

Returning the unused \$455 billion to Treasury now allows those funds to be made available for other important purposes, such as providing more targeted relief to sectors of the economy that need it most or to reducing the national debt.

The CARES Act funding supporting these facilities was always intended to be temporary.

Additionally, as was mentioned in both Secretary Mnuchin and Chairman Powell’s letters, the Exchange Stabilization Fund still has non-CARES Act funds that are available, to the extent permitted by law, to capitalize any Federal Reserve lending facilities as needed.

In fact, the Fed has four facilities that were set up with non-CARES Act funds, including the commercial paper facility and money market liquidity facility.

Although COVID-19 continues to spread across the United States and the world, there is hope in the economic recovery that

we have seen so far and in the reports of promising, highly effective vaccine trials.

However, we continue to look to steps that we can take to help Americans and businesses that need it the most.

Republicans have tried for months to get another targeted, bipartisan COVID relief package passed and signed into law to provide support for those in need, but Democrats have rejected those efforts.

It is time to find agreement where we can on a targeted, bipartisan basis to provide relief.

Turning for a moment to regulations, the CARES Act included other meaningful pandemic-related programs to provide relief to Americans.

I have heard from banks and credit unions concerned about breaking through regulatory thresholds that stand to impose a much greater regulatory burden due to the temporary growth they have experienced from customer deposits and participation in pandemic-related programs, like the Paycheck Protection Program and the Economic Impact Payments.

On November 20, the Fed, FDIC, and OCC took an important step to mitigating banks' regulatory burden by giving community banks under \$10 billion more flexibility to use their asset size on December 31, 2019, for applying various regulations.

I appreciate the banking agencies taking this action, which will foster a more certain regulatory environment for these banks and incentivize their participation in future pandemic-related programs, should they be needed.

Secretary Mnuchin, as you know, housing finance reform remains a top priority of mine, and last year I released a housing reform outline which builds upon many of the same principles from previous efforts.

While my preference was for Congress to pass a bipartisan deal, it is long past time to make the hard decisions and address this last unfinished business of the financial crisis.

Because of that I would encourage you and the Director of the FHFA to continue to take important steps that move the system in the right direction. The status quo continues to be unacceptable.

I want to thank each of you for joining the Committee today to discuss the CARES Act and other critically important issues.

Before I turn to Senator Brown for his opening, I also want to take some time to thank both Senators McSally and Jones for their contribution and time to this Committee.

I have enjoyed working with them, spending time with them, and getting to know them, and they will be missed. I wish you both the best.

And, finally, I want to thank Senator Brown and his staff for the time we have worked together on this Committee.

I have appreciated our time together on this Committee, and our friendship, even if at times we may not have seen eye to eye.

Senator Brown.

#### **OPENING STATEMENT OF SENATOR SHERROD BROWN**

Senator BROWN. Thank you, Mr. Chairman. Welcome, Secretary Mnuchin and Chairman Powell. Good to have both of you here.

I would like to second what Chairman Crapo just said. I want to thank Doug Jones and Martha McSally for their service on this Committee. They both contributed a great deal. Thank you.

And since this is Chair Crapo's last hearing of this Committee, I believe, thank you for your leadership, decency, and patience. Mike, you can run but you cannot hide—since I also serve with you, obviously, on the Finance Committee.

I want to thank your Staff Director, Gregg Richard, for his work and the rest of your staff, Laura in our office, and working together has been really meaningful and productive.

We have worked together to deliver results—working to strengthen our review of foreign investment, to hold Russia and North Korea accountable, to give American manufacturers the tools they need to compete through a strong Ex-Im Bank, and to continue to protect our communities from terrorism attacks. I look forward next year to working with our colleague Senator Toomey on these and other issues.

I also appreciate Chair Crapo and his staff's work to hold so many of our hearings virtually during this pandemic. Protecting the people who work in the Capitol from this virus should not be a partisan issue. On this Committee it largely has not been. I wish I could say the same throughout this building and throughout the Senate. It is something I wish there were more of with our Government.

Chair Powell and Secretary Mnuchin, in the 2 months since you were last here, the situation around the country has only gotten worse. The virus is spreading unchecked, job losses are up, economic growth is declining.

The number of new daily COVID-19 cases is up four-fold; daily deaths have more than doubled. In many parts of the country, the case numbers and hospitalizations are worse than in the spring.

I spent much of yesterday talking to hospital leaders around my State. All feel besieged. All are doing their work. The health care workers surely, as we know, are heroes. We simply do not give them enough support.

Just last week, 748,000 people filed for unemployment insurance. Millions more have been out of work since April.

In October, 3.4 million homeowners were past due on their mortgages. Many of them will run out of forbearance options by April. As many as 40 million renters will spend the holidays worrying that they will be evicted on January 1st if their Government—if we do not—if their Government does not do its job.

Behind all these numbers are real families who are doing their best, trying to figure out how to get by. During Thanksgiving week, there were hours-long lines at food banks across the country.

This is an extraordinary crisis that requires extraordinary action. We have had a President who has simply given up on leading the country.

And as far as I can tell, Secretary Mnuchin, you are leaving the country worse off than you found it.

With that record, it is pretty obvious why 80 million Americans voted for new leadership, a decisive margin.



And rather than using your final months in office to work for the people whom you have sworn to serve, you appear to be trying to sabotage our economy on the way out the door.

After the election, you canceled the Federal Reserve lending programs, taking away critical tools to invest in the people and the communities and the small businesses that make this country work.

There is no legitimate justification for it.

I met yesterday with 60 restaurant owners remotely, by Zoom, 60 restaurant owners in this State, my State. All of them are struggling, as you know.

Either you are purposely trying to stop President-elect Biden and Treasury Secretary Designee Yellen from getting to work for the people we all serve, or you are delusional that you think because the stock market is up—and I understand taking the lead from the President that when the stock market is up, everything is fine.

Either way, it is malpractice.

It was only the end of October when you finally reduced the minimum loan size for the Main Street program to \$100,000 so the program would actually work for small businesses and communities. But now, after all the waiting and adjusting, the Main Street program finally gets going, and you take away another tool to help American businesses and workers.

Even the policy head at the Chamber of Commerce said that shutting down the emergency lending programs “closes the door on important liquidity options for businesses at a time when they need them most.”

It is always the same story. As you know, Mr. Secretary, when the biggest banks and the largest corporations need help, their allies in Washington spring into action. But when the rest of the country needs investment and support, you want to pretend we just cannot afford it.

You cited congressional intent as a flimsy justification for your decision.

I can tell you right now, we did not intend for struggling businesses to have to wait over 3 months to have access to the lifeline provided in the CARES Act; we did not intend for the loan requirements terms to be amended several times; we certainly did not intend for the legislation passed in March to be the only efforts the United States of America would take to fight a once-in-a-generation crisis.

Anyone who has watched the news at all in the last month would know this is the time for action, not for retreat.

We are watching hospitals fill up again. Our health care system is overwhelmed. Gig workers and self-employed workers will lose their unemployment insurance just in 5 weeks—4 weeks. Small businesses and local governments are running out of money.

It did not have to be this bad.

We have the world’s largest, greatest economy. We have the resources to rise to meet the challenge.

But, Secretary Mnuchin, you appear to believe this is the best we can do.

In this election, Americans made it clear that they did not buy that.

They have had enough of aiming low, of being told “we cannot afford it, we cannot solve problems, we cannot govern, we cannot do this.”

We know we can do better. We have done it before.

Remember what Bill Spriggs in front of this Committee said in September. We did not win World War II by worrying about whether or not we could afford it. We were in a global crisis. We marshaled all of our vast resources and talent to rise to meet it. We grew the economy from the middle class out; we paid down the debt with rising wages.

And if we have learned anything from this crisis, it should be that we can do the same thing again.

Remember what we did in March? Unanimously, Mr. Chairman, we came together, we took action, and it made a real difference in people’s lives. In the face of mass layoffs, we put money in people’s pockets. We helped them pay their bills. We kept spending in this economy. We kept 13 million people out of poverty.

Those restaurant owners yesterday in Ohio said their situation is more perilous today than it was back in February and March and April and May. So it means that we should do a comparable kind of action.

And what we did in March helped everyone, including the stock market that you love to brag about.

There is no reason—other than a lack of political will—that we cannot do the same.

A worker who is about to lose her job does not care about the date on the calendar or who is sitting at the Secretary’s desk. They care about results.

Secretary Mnuchin, if you and President Trump will not deliver them, the least you can do is get out of the way.

I know Chair Powell has been clear in previous hearings that we need more stimulus to have any chance at a real, broad economic recovery. We need a big stimulus package, one that reaches beyond Wall Street—the sort of emaciated McConnell version reached beyond Wall Street—to Main Streets in Cleveland and Boise and Scranton and all over this country, and that shows up in people’s paychecks, not just corporate balance sheets.

I hope today the American people will get reassurance that the Federal Reserve will be part of that effort.

It is time for all of us to use every tool available to rise to meet this challenge.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Brown.

We will now proceed to our witnesses. We will go in the order I introduced you, and, Secretary Mnuchin, you may proceed.

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

Secretary MNUCHIN. Thank you. Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am pleased to join you to discuss the Department of 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 every American gets 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 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 percent 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 million jobs since April—more than 50 percent of all lost jobs due to the pandemic. The private service sector, which includes those industries that were impacted by the initial economic shutdowns, has regained 58 percent of the lost jobs. The unemployment rate decreased to 6.9 percent, a rate not expected to be achieved until the fourth quarter of 2021.

The historic, bipartisan CARES Act provided the economic relief critical to supporting our robust economy. Additional economic shutdowns, however, continue to impair this remarkable progress and cause great harm to American businesses 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 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 to the public on our website, Treasury.gov, and on 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, the Treasury Inspector General, the Treasury Inspector General for Tax Administration, the new Congressional Oversight Commission, and the GAO.

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

I would like to thank the Members of the Committee for working with us to provide critical economic relief to the American people, and I am pleased to be here to answer any questions.

Chairman CRAPO. Thank you.  
Chairman Powell.

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

Mr. POWELL. Chairman Crapo, Ranking Member Brown, 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 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 prepandemic 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 in 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 Fed'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 finan-

cial 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 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. 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 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 the 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.

Chairman CRAPO. Thank you, Chairman Powell.

My first question I think will be toward you, Secretary Mnuchin. I am actually quite surprised to hear you criticized for following the law in how you have dealt with the return of the CARES Act funds. We were in the room together negotiating these provisions as the CARES Act was created. And, interestingly, it seems to me that the real problem here is—well, you will recall you and we were accused of creating a big slush fund, and now when we have terminated these funds as required by the law so that we can utilize them more effectively in the next act, the criticism is that this fund should not have been terminated.

I just find that kind of confusing. That is also confusing in the context of the fact that we have tried to gut the very kind of relief in follow-up legislation that we have now been criticized for not doing just a few months ago: extending things like the Paycheck Protection Program which would help though restaurant workers that Senator Brown mentioned; extending and improving it, by the way; redirecting some of these funds so that we get to those industries and sectors of our economy that have not yet been reached by the 13(3) facilities and really need to have a different kind of direct

support system put into place for them; adding rental assistance that we need to have, in my opinion, and which I have been working very hard on to try to get. And as we tried to get these things, they were rejected by the other side, and so it is just confusing to me or a little bit surprising to see these kinds of attacks leveled today in this hearing.

And so, Secretary Mnuchin, could you just help make a little sense from your point of view as to why the decision to make the return of these funds away from the 13(3) facilities at this time is the best thing and what the intent that you had was in making that termination?

Secretary MNUCHIN. Thank you, Mr. Chairman. And let me first say I want to thank the Senate for passing the CARES Act, which was 96–0 in an unprecedented response. And as you know, I lived in the LBJ Room for over 2 weeks, so I am very familiar. I personally negotiated many of these provisions. As a matter of fact, I brought the CARES Act with me because I reference it and keep it next to my desk, and, Mr. Chairman, I would just ask you to recall, you and I were sitting outside Senator Schumer’s office with his staff. It was after 1 a.m. in the morning on the night that we finally finished this, and I asked you to come to sign off on behalf of the Leader and others the final red lines. We went through this very carefully. So I would direct you to Section 4029, which is very clear, which says: “Except as provided in subsection (b), on December 31, 2020, the authority provided under this subtitle . . . shall terminate.” It was very clear.

So my decision—first of all, I want to thank Chair Powell because he has been a terrific partner in everything we have done, and I really want to thank him and the people at the Fed. He and I have been speaking constantly. In deference to him, I did extend four of the facilities that used non-CARES money. My decision not to extend these facilities was not an economic decision. I am surprised to hear Senator Brown use words like “sabotage,” “no legitimate justification,” “delusional,” “malpractice,” “time for action.” I would be more than happy, Senator Brown, to come see you and your staff and walk you through the legal analysis. But this is perfectly clear. The Senate provided unprecedented authority to the Secretary of the Treasury in giving me \$500 billion. The statute was very clear. As a matter of fact, I find it implausible that any Member of this Committee believed that in voting for the CARES Act you were authorizing me to invest \$500 billion to make loans in perpetuity.

So if you do not read this as there is an expiration, then you must read this that there was a loophole in the law that I could invest the \$500 billion forever, had I committed it up front, and I do not believe that was the intent.

I would also just conclude I echo what Senator Brown said about restaurants. The President and I believe that restaurants have been unfairly targeted, and I would urge Congress to support another \$300 billion for PPP. This would have a real impact. These restaurants need grants. They do not need loans.

Thank you.

Chairman CRAPO. Thank you. And as you can tell by the bell, Chairman Powell, I do not have time to ask you my questions, but

I will have you respond to them either later in the hearing, or else I will send them to you in writing.

Senator Brown.

Secretary BROWN. Thank you, Mr. Chairman.

Secretary Mnuchin, I see by your testimony today you really do not understand what is happening in families across our country, almost celebrating your marvelous work of you and the President that the country so decisively rejected. One of my favorite Abraham Lincoln quotes is he used to talk about going out and getting his public opinion bath. It is pretty clear—I appreciate what you said about restaurants, but it is pretty clear that you have left behind, the Administration has left behind, the President is only concerned about seeing something that is not there, fraud in an election, as so many Republican judges and a few courageous Republican office holders have spoken out against.

At our last hearing, I asked you and Chairman Powell to read a piece by *ProPublica* about a small business owner in Cleveland whose business could not get help while the giant corporation occupying the same building has gotten plenty of taxpayer support while laying off its workers. I am hoping you would have read it and made a more serious effort to understand what is happening in places like Cleveland and Mansfield and Shelby and Springfield, Ohio. Millions of American workers are still struggling. Millions more are out of work. All the numbers are going in the wrong direction. You would not determine that from your comments today, it is clear, and you were never serious about fighting—I sat in that room, too, in the LBJ Room. It is clear you were never serious about fighting for the real people who make this country work. Instead of making a deal that would have done more to help them, you pushed to make life just a little bit easier for the Nation's biggest banks. Now you have killed the CARES Act loans that were supposed to be a tool to help smaller businesses and their workers and buried the money. It looks like you and the President and others in the current Administration are trying to spend your final days in office preemptively—I will use that word again—sabotaging the next Administration's efforts to clean up your mess. But you still work for the American people even though I do not think you are acting like it, Secretary Mnuchin. I wish you and your Administration would stop crowing about the stock market and stop passing the buck instead of doing the hard work. President-elect Biden and your successor will have to fix the mess you are leaving behind.

Now, my question is for Chairman Powell. Chairman Powell, you will be around at the beginning of the next Administration. You will be part of the clean-up crew. You have made clear—and I appreciate the conversations we have had where you have made clear that Congress needs to do more fiscal support. You have also commented recently that even if we take bold action, we are not going back to the same economy and that it will be more difficult for workers going forward.

So my question is this: We have seen how the Fed and Treasury actions supported the stock market and benefited the wealthiest people in this country. What can the Fed do, Chair Powell, to make sure that workers do not get left behind again?

Mr. POWELL. Thank you, Senator Brown. So I would say this: We have provided and will continue to provide very strong support for the economy and for workers in particular through the use of our tools, and we remain committed to using all of our tools to their fullest extent for as long as is necessary to get us through this difficult period.

We have thought about this collective effort, this government-wide effort, as one that involves getting the people and the businesses that constitute the economy across the chasm created by, you know, the pandemic, getting them safely to the other side, to the postpandemic economy. And I think, frankly, that the fiscal policy, particularly the CARES Act, deserves the lion's share of the credit in creating that bridge so far.

It may be that we need more on that front, but from the standpoint of the Fed, you can be sure that we will continue to use our tools. And, by the way, those tools would include Section 13(3) facilities, which remain available to us under the law. As the Secretary pointed out in his letter, they can be backed up by Exchange Stabilization Funds should the legal requirements for such funds be met.

Senator BROWN. Chair Powell, does the Fed have an obligation to address the problems of inequality that many argue Fed actions have amplified, especially in addressing inequality in communities of color?

Mr. POWELL. So I think the inequality is a very important and ever more broadly understood problem in our economy. These persistent disparities along racial and gender and other lines really hold our economy back. I think that the Fed has a contribution to make there. It is not the principal contribution. I think that really fiscal policy and Congress and the private sector, too, have had very important roles there. What we can do is a lot of what we are doing, which is to focus on maximum employment, which is your order to us—that is the goal you have set forth for us—and to really take that idea seriously. And I think you have seen with the most recent modifications to our operating framework that we are taking it seriously and focusing on these issues more as holding the whole economy back.

Senator BROWN. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

And before we go to Senator Toomey, I just have to say, Secretary Mnuchin, you have been accused of killing the CARES Act loans for small businesses. I think that is mostly the PPP program, which we tried to reenergize and extend on the floor of the Senate, only to have it killed by the other side when we were trying to do that. But we will continue to have these debates back and forth.

I turn next to Senator Toomey.

Senator TOOMEY. Thank you very much, Mr. Chairman. And, Mr. Chairman, as this might be the last Banking Committee hearing of your chairmanship, I do want to thank you for your leadership and the really hard work and outstanding work you have done.

Chairman CRAPO. Thank you.

Senator TOOMEY. It has been a pleasure working with you.

What I want to do is, first of all, I want to applaud Secretary Mnuchin for closing the 13(3) facilities by year-end exactly as the



law requires and as Congress clearly intended. I want to thank Chairman Powell for returning the unused CARES funds back to the Treasury. The fact is Congress entrusted both of you with some extremely powerful, unprecedented, emergency, and yet temporary tools, and I commend you for working together to deploy those tools for their intended purposes and then putting them away now that that specific purpose has been achieved.

And I think it is important to review what was happening and why we designed the CARES Act as we did. The fact is, in March, we had unprecedented turmoil in our capital markets, threatening the ability of businesses, municipalities, and States to access capital and credit. Credit markets were on the verge of completely freezing up. There was a mass investor flight to cash. In many cases, there were no buyers in sight. Private credit was not flowing to any institutions that needed it. And this freezing of our financial system was a very serious threat that it could precipitate a full-blown depression that would last for who knows how long.

Kent Hiteshew, the Deputy Associate Director for Financial Stability at the Fed, noted in congressional oversight testimony—and I want to quote because he summarizes this very well. He said, “The conditions that prevailed in March were unprecedented—far worse than during the onset of the financial crisis in late 2008 or even in the days after 9/11, when the municipal market was briefly closed. Interest rates soared . . . mutual fund investors pulled over \$41 billion of assets out of the market in less than 3 weeks, and market functioning deteriorated to the point that buyers and sellers had difficulty determining prices. Ultimately, this meant that State and local governments were effectively unable to borrow, with most new issues canceled for lack of investor demand.”

Mr. Chairman, that was the problem that Congress was seeking to address, to solve, by providing the CARES Act funding for temporary emergency facilities. Congress’ intent was clear. The facilities were designed to create a liquidity backstop until the crisis passed and then cease operations no later than the end of 2020 in any case.

Last week, I would point out that every Republican on this Committee signed a letter sent to Secretary Mnuchin and Chairman Powell affirming that this is, in fact, our interpretation of the law and the intent of Congress.

I also think it is important to underscore how remarkably successful these facilities were in achieving that intended purpose of stabilizing credit markets and restoring the flow of private credit. In fact, it worked better than I think most of us thought even possible. Markets did not just improve. They did not just restore liquidity. But we reached record volumes of debt issuance. We did so at low spreads, low yields, affordable interest rates. Regional banks extended credit to their customers, and according to business surveys, unmet demand for credit among creditworthy borrowers is almost nonexistent.

So let me go through some of the arguments that we have heard for why we should not have closed down these facilities because I think they are all mistaken.

One was that the viability of the credit markets, the stability of the credit markets depends on these backstop facilities. Well, that

has clearly been disproven by the fact that the announcement of their end brought absolutely no disruption to any financial markets that I can tell at all.

The second suggestion by some is that, well, we need to keep these facilities around because, you know, some bad thing might happen someday in the future. Well, it has always been the case that you could imagine some bad thing happening in the future. If some terrible thing were to happen to threaten the viability of our financial markets, then the Treasury and the Fed should come back to Congress and ask for appropriate facilities at that time.

Others point out that there are whole industries that are actually in big, big trouble. That is a true fact, especially travel and hospitality and entertainment, where consumer demand has basically disappeared. It is up to Congress to decide what to do about that. It is not up to the Fed to lend money to what are probably insolvent companies.

So let us be clear. These facilities were designed for a very specific purpose. They achieved that purpose more successfully than we could have reasonably hoped, and we should not use them to morph into some other purpose like as a supplemental and/or complement to fiscal policy.

I want to thank the Chairman and the Treasury Secretary for really the outstanding work they did in helping to ensure the viability of our financial markets and thereby avoid a prolonged depression.

Chairman CRAPO. Thank you, Senator Toomey.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman, and let me thank Secretary Mnuchin and Chairman Powell for being here today.

Chairman Powell, in your November 5th press conference, you said, "The fiscal policy actions that have been taken thus far have made a critical difference to families, businesses, and communities across the country. Even so, the current economic downturn is the most severe in our lifetimes. It will take a while to get back to the levels of economic activity and employment that prevailed at the beginning of this year, and it may take continued support for both monetary and fiscal policy to achieve that."

Chairman Powell, how long will it take us to get back to pre-COVID levels of economic activity and employment without any further fiscal relief this year from Congress?

Mr. POWELL. That would be very difficult to say how that would play out in terms of the time. I will say, though, that, first of all, the economy has actually performed better than expected. It has been more resilient to spikes in cases than expected. And so we have had a recovery that has been faster than most forecasters have expected so far.

Nonetheless, we do have a long way to go. We have got on the order of 10 million people who lost their jobs because of the pandemic, and for reference, that is more than lost their jobs during the global financial crisis in the United States, so it is a lot of people. So there is a long way to go, and I think we can both acknowledge the progress and also point out just how far we have left to go.

As I said earlier, the lion's share of the credit really should go to fiscal policy. And, of course, you know, the timing and the scope and the size and the components of that are entirely up to you. I just point out that we will use our tools until, you know, the danger is well and truly passed, and it may require help from other parts of Government as well, including Congress.

Senator REED. Well, thank you, Chairman Powell. Also in your November 5th press conference, you pointed out the collective desire to "keeping this episode short as it can be and avoiding unnecessary business bankruptcies, unnecessary household bankruptcies, unnecessary long-term stays of unemployment," and "there is a real threat of those things, and . . . we are trying to do everything we can to minimize" them.

We are beginning to see that right now. Several of my colleagues have alluded to the fact that, as these eviction and foreclosure moratoriums expire, there could be thousands and thousands of people thrown out of their homes, which will affect, I think, the financial markets. In that case, it might be good to have a facility backed by the CARES Act.

Some of these issues are not hypothetical. They are not sort of a crisis of the future that we do not see. They are very real. In fact, they are coming unless we take appropriate action, and that would be, I would think, fiscal action.

Do you think that these threats are just sort of substantial or are they almost upon us?

Mr. POWELL. So as I mentioned in my testimony, Senator, I think there is a real distinction between the near term and the medium term. In the near term, we see the spread of the disease. What we are hearing from businesses and from—we meet with a group of community bankers that we regularly meet with a week or so ago. What we are hearing is that there are a lot of small businesses that are at risk of going out of business during this winter, which could be a tough few months.

At the same time, though, we are getting this news about the vaccines which are more effective and they have come sooner, so there really is, you know, in the medium term, upside risk here.

The other thing I will say is that the fact that the economy was in very good shape at the beginning of the pandemic, that may be one of the reasons why it has recovered faster than we thought and kind of continued to defy expectations of problems.

So I do think those are real risks, though. I think the risk of small businesses going out of business, the risk of people at the lower end of the income spectrum. At the bottom quartile, I think the unemployment rate is still 20 percent. These are not people with a lot of savings, a lot of resources, or a lot of opportunities right now. And so I think that there are parts of the economy that really will need help or might need help to get that last span of the bridge in place to get to the other side of the pandemic.

Senator REED. I think one of the points you are making is that the impact of this crisis economically is not shared equally by all Americans. There are groups that are impoverished now and are on the edge of even worse disasters unless we act. And if we do not act, then we will have two separate but unequal groups of Americans, and that is not a recipe for a country that can move forward.

Thank you very much.

Chairman CRAPO. Thank you, Senator Reed.

And before we move to Senator Scott, I would just indicate that we are moving in a few minutes into a series of votes on the Senate floor. I am going to leave right now to vote early on the first vote and then return as quickly as I can, and I have asked Senator Tillis, who is present here in the hearing room, to chair for me while I am gone.

Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman. And before you leave, I would like to say to you thank you for your leadership on our Committee. You have done a fantastic job. You have listened to both sides. You have led in a bipartisan fashion. The people of the Nation are desperate to see their Congress, their Senate working well and working together, and, frankly, disagreeing is a part of what we signed up for, but looking for opportunities to bring the Committee together and bring this Nation together. I think you have been a shining example of that, Mike, and I want to say thank you for your leadership.

And to Chairman Powell as well as Secretary Mnuchin, you both have done a pretty good job under incredibly negative circumstances, and the situation continues to change. Certainly, thank you, Chair Powell, for your leadership of our Nation under these challenging times. Secretary Mnuchin, you have stepped up to the plate and have provided programs and resources in a way that we have never seen in the history of the country from my perspective, and I thank you for your strong leadership.

With that said, one of the things I have noticed as we have worked our way through this pandemic is small businesses have been struggling and, frankly, as a former small business owner myself, I understand the pain and the misery of being in small business. I also remember the thrill of victory more than I do the agony of defeat. I remember the blessing of employing members from my neighborhoods where I grew up and having folks join the team as customers and seeing the revenues increase and the opportunities for my employees increase. And one of the things that is often missing when we are talking to small business owners is the important ingredient that for most of us our small business employees are an extension of our family.

And so when you start talking about the small business environment and small businesses being decimated by this pandemic, you are actually talking about the fragile nature of small business and the absolute implosion of the foundation for so many employees around the country. I think we sometimes miss the fact that when you are talking about small business, you are actually talking about employees who work at the small businesses more than you are the small business owner.

To that end, Secretary Mnuchin, you have watched, as I have—and, Chair Powell, you have as well—that 20-plus percent of all small businesses fail. That number is even higher for Hispanic business owners. They are in the 30s, and that is devastating to the community and to the employees of those small businesses who now no longer have a job to go to. And, frankly, in the African American community, that small business number is in the 40s.

My question, Secretary Mnuchin, is: Minority-owned businesses have been the hardest hit in this COVID-19 economic slowdown. Do you agree with the assessment that direct assistance, tailored assistance for those in similarly situated businesses would have a wide rippling benefit to the economy?

Secretary MNUCHIN. I do, Senator, absolutely. And, you know, I would say despite the success of Project Warp Speed and the fact that we will have vaccines distributed in large mass, the problem is now, as you said, these small businesses cannot wait 2 or 3 months. So I would urge Congress again to reallocate unused money and more money to PPP, do a set-aside, as we did last time, particularly for the underserved areas. I know that you and Senator Warner and others have worked on a possibility of \$10 billion to be invested into CDFIs which could lend \$100 billion into underserved communities.

So I think there is a lot that can be done and should be done very quickly.

Senator SCOTT. Thank you, Secretary Mnuchin. I would say in addition to what we have already done and what we can do, if I am correct, Secretary Mnuchin, what you are referring to is that the Paycheck Protection Program still has unused resources sitting there, over \$100 billion that could be available for small businesses right now. If Congress would get their act together, our act together and make those funds available to the market, that could have a significant positive impact on the employees of these small businesses who today simply cannot find the way forward.

With my last few seconds, I think another opportunity that we have before us is to look at the Paycheck Protection Program forgiveness, making it simple, and it may take congressional action for us to simplify the process. Do you see any ability from the Administration's perspective to streamline and to simplify the process for banks and, therefore, making it easier for small businesses to find a little calm and a little comfort in knowing that their small business loan that was to be a grant is actually going to become a grant?

Secretary MNUCHIN. I will be quite brief in responding, but I would say we have created three separate forms, so we have done everything we can on administrative action, including a separate form for 50,000 or less. But I would urge Congress to make changes to the legislation to allow for simpler—and, again, I would urge Congress to reallocate the \$140 billion that is sitting there that can have an enormous impact for small businesses and the PPP immediately.

Senator SCOTT. Thank you, Secretary, and that can be done today. We can do that today if we decide to do so. I am supportive of that concept.

Thank you so much.

Senator TILLIS [presiding]. Senator Menendez.

Senator MENENDEZ. Thank you very much.

Secretary Mnuchin, according to the National Bureau of Economic Research, at least 3.3 million small businesses have closed, 441,000 of which are black-owned small businesses, and 657,000 of which are Latino-owned businesses; 1.1 million State and local em-

ployees have lost their jobs, according to the Bureau of Labor Statistics. You do not dispute those figures, is that fair to say?

Secretary MNUCHIN. I do not have them in front of me, but I have no reason to dispute them. I assume you are quoting them accurately.

Senator MENENDEZ. So how many more small businesses do you project will permanently shutter after you end the CARES Act lending facilities? How many more State and local employees will be laid off as a result of your decision?

Secretary MNUCHIN. Again, let me be clear, Mr. Senator. My decision is a legal decision, not an economic decision. Congress can reauthorize this money if you want to extend it. But I think those small businesses need grants. They do not need loans. They cannot qualify for Main Street. That is why Main Street did only \$10 billion. And they need PPP money.

Senator MENENDEZ. Well, let me just say that you cited earlier, in response to, I believe, the Chairman's questions, Section 4029 of the CARES Act as the reason that you had to close down these facilities. What is wrong with that recitation is that this provision applies to Treasury's authority to invest in new facilities and not the ability of those facilities to make loans to companies in the real economy.

So while I agree with you on grants, in the interim we need to use every tool we have. No one will be better off after you end the CARES Act facilities. As we enter a third wave of COVID, I think ending these facilities is not mandated by law. It is important as an economic backstop. It will have real and harmful consequences on our recovery, on our businesses, on American workers.

You know, during your previous appearances before the Committee, not a single member—we went through the record—even suggested that you should close the facilities. In fact, most of us on both sides of the aisle—Chairman Crapo, Senator Brown, Senator Tillis, myself, and others—have been urging you to make changes to the facilities so that they could provide more relief to businesses and State and local government.

As a matter of fact, in October, in response to questions from the Congressional Oversight Commission, you did not say that the CARES Act legally required you to end the facilities. You just said you did not think that they were needed.

So, Mr. Chairman, I ask that the Treasury Department's responses to the Congressional Oversight Commission dated October 16th be entered into the record.

Senator TILLIS. Without objection.

Senator MENENDEZ. So there is a choice here, and, unfortunately, the choice you are making is really consequential to businesses, to people, to our recovery.

Mr. Secretary, last Tuesday, a Treasury Department spokesperson said that you plan to put the \$429 billion you are withdrawing from the Fed's lending facilities into the Treasury's general fund. Is that a correct statement?

Secretary MNUCHIN. Again, let me just first comment on the first part. I do not agree with your reading, OK? I believe that the section applied to direct and indirect, and had you thought it applied otherwise, there would be a loophole, and there would be no point

of having the date. I was never asked about the December 31st date, and I always assumed that if Congress wanted to extend that, they can.

Now, as regards to the proceeds, let me direct you to Section 4003, which talks about the deposits of proceeds. Again, it is my intent to completely follow the law, and the law requires the amounts transferred to go to the financing account and then to repay any money lent to Treasury. So, again, we will completely follow the law. This is not discretionary. Again, I urge Congress—

Senator MENENDEZ. Let me—

Secretary MNUCHIN. —if you want to extend this, bring back legislation which would authorize me to do it.

Senator MENENDEZ. You can keep putting the onus on Congress when, in fact, you have the abilities—let me read to you Section 4027 of the CARES Act that provides Treasury with the appropriation of these funds, “On January 1, 2026, any funds described in paragraph (1) that are remaining shall be transferred to the general fund of the Treasury . . .” It does not say “by” or “no later than January 1, 2026.” So these funds being moved ultimately undermines—I hope, Chairman Powell, that you will commit to not return any funds to the Treasury until we are assured in Congress and the public that those funds will remain in the Exchange Stabilization Fund as required by the CARES Act.

Secretary MNUCHIN. Just for the record, they do not go back into the Exchange Stabilization Fund, as I cited in the act.

Senator TILLIS. Senator Cotton.

Senator COTTON. First off, I want to join our colleagues in thanking Chairman Crapo for leading this Committee so ably. I do want to point out, though, to paraphrase Mark Twain, reports of his demise may be greatly exaggerated. He is not going anywhere. He is still going to be a Senator. He is simply going to be chairing the Finance Committee next year. But we have all appreciated his leadership.

The economy is recovering more strongly than I think anyone predicted in March, and I think that is important because of the response of this Congress in the CARES Act at first and then in the way the Trump administration—in particular, the Department of the Treasury and the Federal Reserve—has directed it. So I want to commend both you gentlemen on your stewardship over these last 9 months.

Now, the economy could continue to recover even more strongly, in effect, and especially for those people who are still struggling the most, the waitresses and the busboys, the bartenders, the karate instructors, the music teachers, people who work in fields and industries that have lots of in-person, close, continual contact. So there are two things we could do to help solve that problem immediately.

One is to tell these Democratic Governors and mayors to stop with the irrational lockdowns. Tell the Governor of California, Gavin Newsom, not to lock down small mom-and-pop restaurants while he goes off with all of his lobbyist buddies to eat at the French Laundry, one of the world’s most expensive and exclusive restaurants, paying \$300 for caviar and truffles.

Second, for Congress to pass a new coronavirus relief bill. We all have bipartisan agreement to support those people who are still in need, yet Chuck Schumer and Nancy Pelosi will not relent on their \$3.5 trillion wish list. They want to hold up funding for small businesses and for restaurants and for industries like airlines, money to help schools reopen in some States, or stay open as the case is in Arkansas, so they can get things like welfare checks for illegal immigrants or they can override State voting laws or let violent felons out of prison—things that have nothing to do with the coronavirus. Those are the two most important things we could do to help those who are still struggling from this virus get back to work until vaccines are approved and widely distributed.

What will not help, what was not designed to help were the 13(3) programs that have been so much a point of discussion in this conversation today. The 13(3) facilities have achieved their purpose. The reason we wrote it and the reason Members of this Committee helped draft that language in March was to stabilize credit markets to help ensure the flow of credit to fundamentally creditworthy businesses and States and cities. It was not to subsidize unsound or failing businesses that were not going to be able to succeed before China unleashed this plague on the world. It was not to bail out fiscally irresponsible, most Democratically led States and cities who had mismanaged their finances for years or even decades. It was to stabilize credit markets.

And I have to say it appears at the time there was some bipartisan concern that these funds could be misused. I will just quote from a few people what they said at the time about our Treasury Secretary.

Joe Biden referred to these facilities as a “\$500 billion slush fund and a blank check.”

Ironically, Senator Brown, given the fact that he accused Secretary Mnuchin today of sabotaging the recovery or intending to drive the economy off in a ditch, said at the time the money, \$425 billion, that the Secretary of the Treasury can decide is a slush fund or where to direct that money.

Senator Warren said that we are at \$450 billion slush fund that would go to the Secretary of the Treasury to help whoever he wants.

And, ironically, given what Senator Menendez just said to Secretary Mnuchin, this bill has a \$425 billion slush fund with which basically the Secretary of the Treasury can say, I like you, you get this; I do not like you, you get nothing.

I guess the shoe may be on the other foot now, and it seems like the Democrats, with the hope of having a new Secretary of the Treasury and a new Administration, would like a \$450 billion slush fund to reward politically favored organizations like, I do not know, abortion providers or marijuana dispensaries or maybe to bail out their partisan allies in States and cities that have mismanaged their finances for years.

But that is not what the law says, and that is the point that Secretary Mnuchin has been making all along, if I am not mistaken. This is not an economic decision. This is a legal decision. This law was designed from the beginning to stabilize credit markets at the height of the uncertainty of this pandemic in the spring, and that



is exactly what it did. Secretary Mnuchin does not have legal authority to keep these programs in place. He took the right action. And if our Democratic colleagues want this money to be available, then they need to work with us to pass new legislation.

Thank you.

Senator TILLIS. Senator Tester.

Senator TESTER. Thank you, Acting Chairman Tillis. And I also want to thank Senators Jones and McSally for the opportunity to serve with them on this Committee and in the U.S. Senate. And I also want to thank Chairman Crapo for his evenhandedness and his ability to work with both sides of the aisle and, quite frankly, unlike the last Senator, actually bring people together and not divide them. So I appreciate Senator Crapo in that regard.

Look, I have the feeling we are at a fulcrum here where the economy still is in very, very difficult conditions, and not that what Senator Toomey did not say was not correct 6, 8 months ago. It was correct. But we are not out of the woods yet, and, Chairman Powell, I have the feeling that if we just, you know, fold up our hands and walk away, that this economy not only might, it will slip backwards over the next few months. That might be by design by some that serve in the U.S. Senate or in the Administration, but it certainly is not my goal. And so I would like Chairman Powell to highlight the importance of additional fiscal support for the success of the economy moving forward.

Chairman Powell, you talked about the folks out there who continue to hurt, and I will tell you that I think it is bigger than just the PPP program extension. I think our health care system is, quite frankly, stressed to the max. In Montana, I am not sure there are any beds available for this pandemic right now. They are all full. And I can tell you I think that is the way it is in many parts of the States. So when we talk about not locking down, go bury our heads in the sand and assume that this pandemic has not even happened and it has no importance, I have got news for you. My wife has been in treatment for cancer, and the cancer she will survive. If she gets this COVID, I am not sure she will. So I think we need to wake up in the U.S. Senate when it comes to who is locking down what and the reasons for it.

But, that aside, without any other comments, I would just say, Chairman Powell, can you talk about the importance of addressing our health care business, our hospitality businesses, our working families that, as you have said, some are in really tough shape, local governments. And, by the way, mismanaged local governments? Give me a break.

The U.S. Senate under some of the best economic times ever borrowed \$1 trillion a year, and you accuse local government of mismanagement? Holy mackerel. It is hard for me not to cuss. But—and educational units.

So, Chairman Powell, could you talk a little bit about what is really needed out there, where this economy may slip back? Do you see it the same way I do?

Mr. POWELL. Thank you, Senator. So I think I would put it a little bit in context. You know, we have done a lot, and we really appreciated the working relationship we have had with Treasury on the facilities and thank them for the productive work we have been

able to do together. Our thinking is that we would have left facilities in place to be backstops. We do not question the Secretary's decision about the CARES Act money because that is entirely his decision to make. But I think central banks generally would have done that.

In terms of what more may be needed, we are hearing a lot from our discussions with people throughout the Federal Reserve System and across the country about small businesses that may struggle during this period of just the next few months, during the winter, with the spread of the virus high. And it is those people who are in public-facing jobs in vulnerable industries, and, you know, they may see what may be the light at the end of the tunnel in the middle of next year as the vaccines come out and are widely distributed. But they may need more help to get to that place, and so that is the way we are looking at it. We will continue to use our tools to their fullest extent, and that will include 13(3) facilities if appropriate—if appropriate—and if they meet the legal requirements, but it may also include direct help to businesses that really do not need to borrow anymore. As the Secretary was noting, some of these businesses, what they need is, you know, fiscal policy, is a grant to get them through this last bit of the pandemic rather than borrowing more through a Federal Reserve facility.

Senator TESTER. And I think we all agree with that. In the end, if nothing is done—and I do not think anybody on this Committee, at least I hope not everybody on this Committee wants nothing to be done. But by the same token, I do not think we go into a job and do it half-assed either. I think there are plenty of folks out there who are hurting big time, and I am not just talking workers. There are workers that obviously are that are looking for a job for so long that they are actually falling off the unemployment rolls. But small businesses, whether we want to pound our chests or not, but local governments that have been put in a situation because of reduced income because of this pandemic are in a tough situation, educational units because there are many schools that are doing dual distance learning and in-person need additional dollars. Do you see us sliding backwards if we do nothing, or do you see the economy being static for an extended period of time?

Mr. POWELL. I think there is a risk. I would characterize these as risks. The economy has continued to perform better than we expected. It has been more resilient to further outbreaks than we have expected. At the same time, this is a very large outbreak, and what we are hearing suggests that there is a real risk of small businesses and people who are unemployed for extended periods, and I think those are real risks that should be taken into account.

Senator TESTER. I want to thank both Chairman Powell and Secretary Mnuchin for being here today. I appreciate your work.

Chairman CRAPO [presiding]. Thank you.

Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman.

First of all, Mr. Chairman, I would like to say thank you to you for your leadership on the Committee, and I do appreciate the fact that we have been able to do some things on a bipartisan basis, and that has a lot to do with your hard work.

Chairman CRAPO. Thank you.

Senator ROUNDS. I would also like to thank both of our guests here today. Chairman Powell and Secretary Mnuchin, I think you have done very, very good work under some very trying circumstances. But I would like to begin my questioning today with Secretary Mnuchin.

Housing has been one of the bright spots of our economy during the pandemic, and I want to make sure that we do everything we can to continue providing the necessary support. One of the potential threats I see is ending the conservatorship of the GSEs. While I agree in a perfect world that conservatorship should have been ended some time ago, I am concerned that if recent conversations come to fruition and Fannie and Freddie are prematurely released from the FHFA's control, the strength we have seen in the housing sector could be called into question.

For Secretary Mnuchin, in light of the pandemic, what are your recommendations with respect to the timeline for when conservatorship can be safely unwound?

Secretary MNUCHIN. Well, let me just say I do not think that they should be let out from conservatorship without appropriate capital. There are obviously different opportunities to accumulate capital and raise capital. This is one of the areas that I will continue to try to work with this Committee and others. I think there should be housing reform. I think that the appropriate scenario is for these to have real capital and ultimately them to be released.

Senator ROUNDS. Thank you, sir.

Chairman Powell, a follow-up. The Federal Reserve is the largest investor in mortgage securities. Would you share your thoughts about the impact to the housing market if an end to conservatorship were to occur prior to the time in which the pandemic impact has been eased?

Mr. POWELL. I would just echo the Secretary's point that I would certainly like to see the GSEs return to private hands over time and the housing finance sector and system standing on its own two feet with a lot of private capital behind it. So I think it is something that time needs to be taken on, and I would applaud the new capital standards that have been put in place. But that capital still has to be raised, and I do think it is something to do carefully, and I know that is consistent with what the Secretary is thinking.

Senator ROUNDS. Thank you. I appreciate also the flexibility that our banking regulators have given financial institutions who have wanted to work with customers experiencing COVID-related hardships. Unfortunately, not many of us thought that the pandemic would last as long as it has, and several sectors of the economy, like the airline industry, travel, hospitality, all still face challenges.

What do we need to be doing to support the financial institutions who want to continue working with customers in these hard-hit industries? I know we talk about targeted and specific assistance, but financial institutions have really been right in the middle of this whole thing, and the expectation has been that we have allowed them flexibility.

I think it would be very helpful to hear from each of you your thoughts on this particular issue, and in this case I would ask Chairman Powell to go first.

Mr. POWELL. I think the most important thing is that as the economy recovers, companies are recovering, and the more they recover and the faster they recover, the smaller the losses will be.

I also think we will continue to encourage banks to work with their borrowers and continue to keep in place the very targeted relief that we have provided, which does not undermine safety and soundness in any way, but that allows banks the room to do what they want to do, which is to serve their customers. So we would not want supervision and regulation to undermine the process of working with customers where it does not implicate safety and soundness.

Senator ROUNDS. Secretary Mnuchin.

Secretary MNUCHIN. I would just echo the Chair's comments, and I think they have done a very good job across regulators in providing the right flexibility.

Senator ROUNDS. Thank you. And, Mr. Chairman, I will yield back my final 15 seconds.

Chairman CRAPO. Thank you. Deeply appreciated.

Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. Let me also echo what all my colleagues have said. Thank you for your leadership on this Committee, and let me thank you in particular, Secretary Mnuchin, and so many of us on both sides of the aisle for your help on putting together a plan to help black and Latino businesses that have been particularly hard hit by COVID.

Chairman CRAPO. Thank you.

Senator WARNER. You may know that this morning a bipartisan group of Senators, which I was proud to be part of, announced an emergency relief framework that would help us get through what I fear will be the worst days of the pandemic coming ahead. I do not think the stakes could be higher. We all know that UI will start running out for folks the day after Christmas. We have seen the food lines across our country. We know that small businesses are on their last legs. We know that many State frontline workers will soon have to be laid off, and literally we could have millions of people put out of their homes as early as the middle of January. I think that is simply unacceptable, and my hope is that members of the Administration and members of the Congress will sit down and figure out whether this framework or an alternative can be that bridge and we get it done before the holidays.

It is this bridge—and it is not a long-term plan that I know Secretary Mnuchin was negotiating with Speaker Pelosi. It is not maybe even what President-elect Biden will want to do. But this package, which weighs in at \$908 billion, does take care of UI. It takes care of student loan assistance. It takes care of small businesses with a focus on those CDFIs. It takes care of broadband. It takes care of food insecurity. And at the end, I am going to make sure I ask both of you whether, without knowing the details, do you think generally this is the direction we ought to head.

Let me also take one more minute, because this is something that Senator Crapo, Senator Scott, Senator Tillis, a number of us on our side have come together on, and that is in this package the \$12 billion provision for new capital investments from minority-owned banks and CDFIs, community development financial institu-

tions. We know that black and Latino businesses have been particularly hard hit by COVID. We have lost 440,000 black-owned businesses that have shut their doors, a generation of wealth accumulation that has closed down. We know that 40 percent of Latino-owned businesses have closed their doors.

I heard, for example, from Dr. Anna Peoples, a constituent of mine who 5 years ago opened up Peoples Pharmacy and Diabetic Center in a lower-income neighborhood in Norfolk. COVID-19 hit her business really hard, and she said, “I treat folks the way I want you to treat me.” And when you ask them when they walk through the door, I want to receive compassionate care that you deserve, that is exactly what they do. Her business is on the brink of shutting down, and, Mr. Chairman, I would ask that her article from the news story about Dr. Peoples’ business be entered into the record.

Chairman CRAPO. Without objection.

Senator WARNER. And in my last 2 minutes here, I will ask Chairman Powell and Secretary Mnuchin two questions. One, while you have not seen the details of the \$908 billion plan that was bipartisan, bicameral—put out this morning—framework, do you think directionally this kind of bridge emergency relief is needed at this point? Chairman Powell, would you go first?

Mr. POWELL. I would, of course, defer to you and to the Secretary who have authority in this area on the particulars of it. But as I have said, I think it sounds like you are hitting a lot of the areas that could definitely benefit from help and some of the areas that are—these are areas that are going to be experiencing a challenging winter. But I cannot really speak to the particulars of the bill having not seen it.

Senator WARNER. I understand. I appreciate that.

And, again, Secretary Mnuchin, I know you know that—while you have not seen any of this—I know you were negotiating on many of these things, the particulars. Again, directionally, without going into the particulars, do you think this kind of effort is needed?

Secretary MNUCHIN. Well, let me first say I did comment earlier to Senator Scott and I applaud the work that you have done on the CDFI program. So whether it is \$10 or \$12 billion, I very much support that. That could create \$100 billion of lending quickly. I look forward to reviewing with you the overall package. I do think that more fiscal response is needed.

I think what is more important is what we can pass quickly on a bipartisan basis to target the most difficult parts of the economy, hopefully, that will be needed and done quickly. So I look forward to following up with you. I missed the press conference because I am here testifying.

Senator WARNER. I understand. I promise you we will share that with you immediately.

Mr. Chairman, I just want to appeal to all my colleagues. This is our best effort at a framework. I hope everyone will give it a reasonable review, and, again, I appreciate your leadership on this Committee. Thank you.

Chairman CRAPO. Thank you, Mark.

Most of our Members are off voting right now, but I understand that Senator Warren is with us.

Senator WARREN. I am.

Chairman CRAPO. Go ahead, please.

Senator WARREN. Thank you very much, Mr. Chairman.

So today more people are getting sick from the coronavirus than at any other time during the pandemic. And on top of that, the help that many people have relied on is about to disappear. So the day after Christmas, 12 million workers will lose unemployment benefits. That same week, Secretary Mnuchin will be shutting down the Federal Reserve programs that are designed to help the economy.

So, Chair Powell, you have been clear about the need for more fiscal support to help families and businesses get through this crisis. So let me ask you specifically about help to individuals that puts more money in their pockets during an economic crisis. This is kind of Economic Stimulus 101. If individuals have a bit more cash to spend every month, that helps them, but it also helps the economy, right?

Mr. POWELL. Yes.

Senator WARREN. OK. So there are two ways to get more money into people's pockets. The first is providing payments like stimulus checks or unemployment insurance, which I strongly support. The second is by canceling the debts that people owe so they can spend that money elsewhere. The largest category of household debt other than mortgages is student loans, and most of that debt is owed directly to the Federal Government.

Now, right now those debt payments are paused, but the clock is running out. On New Year's Day, the median borrower will have to restart paying more than \$200 a month to the Federal Government. That is at a time when our economy needs people to be able to spend more money, not less.

So, Mr. Chairman, you have said in testimony before Congress that you think that rising student debt is "the main concern" when looking at the overall household debt picture. You have also said, "It has been rising fast and is now large. There is increasing evidence that shows that students who cannot pay that debt have difficulty having normal economic lives and buying homes and things like that."

Mr. Chairman, would you agree that high levels of student debt will have a negative impact on our economic recovery if millions of households have to reduce spending in order to make debt payments?

Mr. POWELL. So others and I have been calling out the rising student debt for some years now, particularly—

Senator WARREN. Yes, you have.

Mr. POWELL. —since we have singled it out for not being able to be forgiven in insolvency among all different kinds of debt. So that is a longer-term problem.

In terms of what appropriate relief would be, what relief would be appropriate here in the current situation, I would have to defer to those who have authority to make that decision.

Senator WARREN. Well, I am not asking you about what the question is about what Congress should do. I am asking you the

question about what it does to the economy if people who, instead of spending that money in the economy, are spending that money by sending money back to the Federal Government on their student loan payments. That is a problem for the economy, is it not?

Mr. POWELL. Certainly, people who are weighed down by debt in a situation like this where they may be unemployed, where unemployment is very high among, for example, low-wage workers, that can weigh on economic activity, yes.

Senator WARREN. Fair enough, but I think we started with Economic Stimulus 101; 200 bucks is 200 bucks that could be spent in the economy.

Now, Mr. Chairman, you have also noted that student loan debt has another impact on a struggling economy, and that is that student loan debt makes it harder for people to qualify for mortgages, to buy homes, to start small businesses. You have noted that those things drag our economy down. Do you still feel that way?

Mr. POWELL. Yes, so I think data are showing that over longer periods of time, people take on student debt in an effort to make their lives better and brighter, and if that does not work out that way, they drag that debt down through their economic lives, and it can get in the way of their credit history, of course, and their ability to own a home and their whole economic life for many years.

Senator WARREN. Right, and then that has an overall impact on the economy in terms of home sales or in terms of business startups. Is that right?

Mr. POWELL. Yes. In effect, those people are unable to participate perhaps in the economy to the full extent that they might be able to, which would weigh on the economy.

Senator WARREN. Thank you, Mr. Chairman. You know, I know you have said you do not know how you could be clearer on pushing Congress to act on more fiscal stimulus, and I agree entirely with you on that. But most types of economic stimulus are pretty much impossible when Republicans in Congress refuse to take action. Aid to State and local governments, unemployment benefits, checks for families—right now Republicans are blocking help on all of these. But student loan debt is different. All on his own, President-elect Biden will have the ability to administratively cancel billions of dollars in student loan debt using the authority that Congress has already given to the Secretary of Education. This is the single most effective economic stimulus that is available through Executive action, and as you have noted in the past, research shows that canceling student loan debt would boost GDP, create jobs, reduce unemployment, jump-start small business formation, support the housing market, promote job and economic and geopolitical mobility, and increase the annual incomes of borrowers by about \$4,000. So it would also help close the racial wealth gap. It is time to act. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

And next will be Senator Schatz.

Senator SCHATZ. Thank you, Mr. Chairman. Thank you, Secretary Mnuchin and Chair Powell, for participating in this hearing and for your really extraordinary efforts during this difficult time.

My first question is for Secretary Mnuchin. Where are we with negotiations? You have been lead negotiator on behalf of the Administration when we were successful and lead negotiator when we were not as successful. And I just want to get a sense for the public and for the whole Congress so that we are not just reading this on Politico where we are with respect to coronavirus relief, whether the idea is to pass a stand-alone package from your perspective for something to ride on the omnibus, and what would your priorities be?

Secretary MNUCHIN. I had a conversation yesterday afternoon as well as this morning, a follow-up conversation, with Mitch McConnell, Kevin McCarthy, myself, and Mark Meadows. I spoke to the President this morning and updated him. We all believe that there should be targeted fiscal response. I would say that my motivation in the Fed facilities was not political. As I said, it was purely legal. But those funds can be reallocated. The PPP money can be reallocated. I would say things like PPP and unemployment that are running out are high on the list.

I will be speaking to Speaker Pelosi this afternoon about the Government funding. We obviously did not intend for there to be another CR. We signed the 2-year caps deal. We wanted to get funding done. And I am sure I will speak to her about CARES funding as well. So we support targeted, quick relief.

Senator SCHATZ. OK. And I will just editorialize for about 30 seconds here. You know, the election is over, and lame ducks are for doing necessary things that we were fighting about previously. That is what a lame duck is for, and especially during a pandemic, and that is what a lame duck is for. And so we all need to put our weapons down, and I applaud the efforts of Senators Warner and Collins and Coons and others, because we really need to deliver relief, and especially because we need to recognize that if we cannot get something done during a lame duck during a pandemic, that says something about all of us and our unwillingness to find a middle ground.

A separate topic for Chair Powell. I am really encouraged to see the Fed discuss climate risks in their semiannual report on financial stability. You and I have had several exchanges in the past few years about the financial system's vulnerability to climate shocks, and I am really pleased to see the Fed address this issue head-on. The report calls for increased transparency through improved measurement and disclosure and to improve the pricing of climate risks.

So the question I have for you is: What specifically should companies be disclosing to enable the accurate pricing of climate risks?

Mr. POWELL. Of course, corporate disclosure is really something that we do not have responsibility for. I think what we are talking about is sort of a general idea. At this stage, it is an early stage in trying to understand the implications of climate change for financial stability, and thank you for calling out our box. I thought that the box we put in our Financial Stability Report did a good job of laying out the connections that we do see. But I think we are a long way from understanding really what that means. I think the public will expect that we do figure out what are the implications of climate change for financial stability and that we do put



policies in place. Some of that will be through disclosure, and some of it will be through many other channels.

Senator SCHATZ. So the Fed staff is actively conducting research on climate-related financial risk. What kinds of tools are you developing and what kind of data sets do you need to measure that risk?

Mr. POWELL. Well, again, it is early to be talking about—really, as you pointed out, there is a great deal of research going on in the economics community and, you know, we have probably the largest economic staff certainly in the United States, one of the largest in the world, and there are people working on climate change and the implications of climate change for the economy and for financial stability. And it is a little early to say exactly what those tools will do, and I guess I ought to start by saying that the broad response to climate change on the part of society really needs to be set by elected representatives—that is you. We see implications of climate change for the job that you have given us, and that is what we are working on, is just that aspect of it. The broader aspect of it really is for elected representatives.

Senator SCHATZ. Absolutely. And, Chairman, I agree with you. Risk is risk. You are charged, at least partly, with measuring the risk in the financial system. You are not charged with solving climate change. That is the policymaking part of the Government. But it is important that you fulfill your statutory mandate to make sure that risk is measured accurately.

And one final thought here. I am not sure it is so much that it is early. I think it is more that this stuff is hard. And I concede that this stuff is difficult, that we want to develop common platforms, we want to develop common tools and data sets so that we do this intelligently and responsibly. But it is not early. It is just that this stuff is difficult to do, and we want to give you the space to do it right. But we cannot take several years to develop these tools and data sets.

Thank you.

Chairman CRAPO. Thank you.

Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman.

Chairman Powell, has the Federal Reserve done a State-by-State analysis of how much money State governments have received from Congress to bolster their economy and how much of that money they have left to spend?

Mr. POWELL. Senator, I am confident somewhere in the Federal Reserve System that information does exist. I do not have it close to hand, though.

Senator KENNEDY. Well, what does that information show?

Mr. POWELL. Honestly, I would have to get the information in front of me to be able to answer that.

Senator KENNEDY. Then how do you know State governments need more money?

Mr. POWELL. Well, I did not say today that they did need more money. But I would say we do know that at the aggregate level—I can give you some data that I believe is true, and that is that States that have particularly high sort of tourism as part of their economy are feeling this significantly, and they have got much lower tax revenue, so they are feeling that. States that do not real-

ly have exposure to travel and leisure may not have had much of an effect at all. So it does vary quite a bit. But there are States—I think Florida, for example, I read has lost something like 11 percent of its revenue overall. I cannot fact-check that in real time here, but that is a statistic that I saw. So I think it varies a lot State to State.

Senator KENNEDY. On November 16th, the *Wall Street Journal* reported that California recently reported that its tax revenue for this fiscal year is running 19 percent above projections. Do you disagree with that?

Mr. POWELL. I do not have any reason to, no.

Senator KENNEDY. In the same analysis, the *Journal* reported that personal income tax revenue in October in California was \$1 billion or 16 percent higher than the previous October, and sales taxes were up 9.2 percent. Is that consistent with the Fed's information?

Mr. POWELL. I have not seen any information at the Fed. As I mentioned, I think the bigger fact is that State and local government revenues, tax revenues, have been less affected so far than we thought they would, and there is a lot of research on why that might be. Nonetheless, State and local governments have laid off more than a million people, and some States are feeling this. The ones that are more exposed to the travel and leisure industry, for example, are actually really feeling that pinch.

Senator KENNEDY. The *Wall Street Journal* on November 16th also reported that in New York State, overall tax revenue was up 4.3 percent in September compared to September 2019. A large part of the reason for that is that New York State taxes unemployment benefits. Do you have any reason to disagree with that?

Mr. POWELL. No, sir.

Senator KENNEDY. OK. The *Journal* also reported that personal income tax revenue in Connecticut increased 2.9 percent in September from the previous year, and in the fiscal year that started in July, income tax receipts in Connecticut are running 0.3 percent ahead of last year and sales tax revenue is up 5.3 percent. Do you know if that is accurate or not?

Mr. POWELL. I do not.

Senator KENNEDY. OK. Do you believe that Congress should appropriate money to States and allow those States to use that money to support their pension systems?

Mr. POWELL. I think that is a question for you, sir.

Senator KENNEDY. Well, I am asking you, Mr. Chairman. You have been pretty vocal about—and I am not being critical. I appreciate the advice, but about the need to pass another coronavirus bill. Do you think we should allow the States to use the money to shore up their retirement systems?

Mr. POWELL. I think States provide critical services. I think at least some of them had significant hits to revenue. I think they have laid off more than a million people. They are very big employers, one of the largest employers in the economy. So I have always said it is an area where I think it is worth looking, an area—

Senator KENNEDY. Don't you think—I am sure you would agree with this. Don't you think, though, that before we appropriate more money, we should actually base the decision on empirical data like

how much have we given each State, how much have the States spent, how much have they just—how much of that money do they have still just sitting there? Don't you think we ought to approach it as opposed to just using anecdotal evidence?

Mr. POWELL. Certainly, I would not recommend you use anecdotal evidence, but really these questions are way off my range. You know, we do not have views or express views on really specific fiscal questions. We try to stay at a high level.

Senator KENNEDY. Thank you.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. And thank you, Chairman Powell, Secretary Mnuchin, for your testimony. Listening to both of you, there is clearly agreement that we need more fiscal relief.

Mr. Chairman, you said on October 6th that, "Too little support would lead to a weak recovery, creating unnecessary hardship for households and businesses." And more recently, as the cases from the pandemic have accelerated, you have said, "There has not been a bigger need for it in a long time," meaning fiscal relief. And President Trump in October tweeted out, "Go big or go home" to Congress.

Just picking up on Senator Schatz's comments and others', we do need to get this done. We cannot go home before the end of December without addressing the urgent needs and the pain that American households and small businesses are facing.

So, Chairman Powell, first to you, I assume you agree today with the statements you made previously about the urgent need for substantial fiscal relief.

Mr. POWELL. When I said this is the most urgent need, I was talking about the whole pandemic. I was talking about, you know, the need for the CARES Act and I was not trying to speak about the need for another full CARES Act at that point in time. That is what I believe I was referring to. It is a couple of months ago. But, yes, my view really has not changed. I think that the risk of overdoing it is less than the risk of underdoing it. That is the record of pandemics and crises. You know, people are always worried about doing too much, and you look back in hindsight and you say, "Well, we did not do too much. We might have done a little more and done it a little sooner."

I think we tried to live with that lesson this time with the CARES Act and with the things that the Fed did and other parts of Government. We really did act aggressively.

So I would just say that we have come a long way. The CARES Act did a tremendous amount of good. We can see what may be the light at the end of the tunnel with the vaccines, and we at the Fed will keep at it until we are really done, and I think that some fiscal support now would really help move the economy along as well, at least to guard against those downside risks we have been talking about, smaller businesses, households, and others who are directly affected.

Senator VAN HOLLEN. Well, I agree, and with respect to State and local governments, I was listening to your discussion with Sen-

ator Kennedy, and I would say 1 million people who have lost their jobs is not anecdotal. That is real. As you pointed out, those are people who no longer have an income and, therefore, are relying on a safety net until we get everybody back to work.

Secretary Mnuchin, again, I quoted President Trump back in October saying to Congress, “Go big or go home.” Just recently he tweeted again, “Go big and be focused. Make it big and focused.” So do you share the President’s view that we continue to need to go big on fiscal relief?

Secretary MNUCHIN. I do believe we need more fiscal relief, and I think there is more work to be done. As I said in my testimony, I think fortunately the CARES Act has worked and the numbers are better than they were 2 months ago. But I would urge Congress to pass something quickly to make sure we get something done in this session.

Senator VAN HOLLEN. I could not agree with you more, and I know that you were engaged for a period of time with Speaker Pelosi and others. What was the Trump administration prepared to do in terms of its top-line number at that time? Because the Chief of Staff to the President was quoted as saying somewhere around \$1.2 trillion or more. Is that accurate?

Secretary MNUCHIN. Well, I think as you know, we made lots of proposals along the way. There were different proposals and different components, and as I said earlier, I spoke to Leader McConnell and McCarthy and Meadows this morning, and the President, and we will continue to work with Congress to try to get something done quickly.

Senator VAN HOLLEN. Mr. Secretary, you would agree it would be a mistake to allow the emergency pandemic unemployment insurance to expire at the end of the month, right?

Secretary MNUCHIN. I do believe that is one of the areas. I think there needs to be some technical fixes, but I do support extending it. I also absolutely support the unspent money in the PPP being authorized to be used immediately.

Senator VAN HOLLEN. And you also supported—I was the President did—funding for some State and local government relief. I can tell you I had a conversation this morning with the general manager of the Washington Metro Transit System. You can read on the front page of the *Washington Post* Metro Section today that they are going to lay off 1,200 people in December and that their budget for next year, if they do not get any more relief, contemplates another over 2,000 people.

So I hope we will all recognize that we have got to do something. There seems to be a lot of running room between the two positions that have been outlined, and I just think it would be shameful if Congress goes home and the Administration—if we are not able to do this before the end of the month.

So thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator JONES.

Senator JONES. Thank you, Mr. Chairman. And thank you to both of our witnesses for your service.

Secretary Mnuchin, you and I have not had as much personal interaction, but I wanted to tell you how much I appreciate your service in some difficult times over the last 2 or 3 years.

Chairman Powell, thank you very much for allowing me to get to know you, for the work we had. I so much appreciated the fact that even though your nomination was going to sail through the U.S. Senate, you still made a point of coming to visit with me as soon as I got sworn in in January of 2018 to get to know me and to understand the office and my work on the Banking Committee. So thank you for that.

I would like to kind of revisit something that I have talked about on many occasions, and that is the racial inequalities that we witness in this country.

As the Nation kind of grapples with the racial inequality we have seen, the Federal Reserve's recent survey of consumer finance kind of caught my eye. It highlights longstanding, substantial wealth disparities between families in different racial and ethnic groups. The typical white family has eight times the wealth—eight times the wealth—of the typical black family and five times the wealth of the typical Hispanic family.

Raphael Bostic, President of the Federal Reserve Bank of Atlanta, recently published a paper arguing that the country's racial economic gaps were cemented over centuries and called on the Fed to reduce racial inequalities and bring about a more inclusive economy.

Let me say very quickly that I know coming from a State of the Old Confederacy that most people think that some of this is just based on the State Jim Crow laws of years past. But, in fact, we all know that this is not just a Southern problem; it is not just a Jim Crow problem. Those policies had been cemented by policies of the Federal Government, laws passed by this Congress, maybe giving some accommodation to white Southern segregationists who were in the House and the Senate at the time, but laws of housing, health care, even the GI bill really kind of cemented the inequalities that have lasted now for decades.

So initially to you, Chairman Powell, as we go forward—I do not want to look back right now. I want to look forward, because as we are coming out of this pandemic, we have got some real opportunities, I believe, to address these inequalities in health care and the economy in so many areas. So what can the Fed do as we come out of this economy? What strategies would you recommend to kind of address the inequality we see in the economy, whether it is minority businesses or individuals?

Mr. POWELL. So these are longstanding inequalities over a very long period of time, and there is a real concern that we have at the Fed that the pandemic will make that worse because, of course, minorities are overrepresented in these service industry jobs that were so heavily affected by the pandemic, so there is a concern that things will get worse. And, you know, the last couple of years were very encouraging because as the longest expansion in our recorded history continued, we actually saw the racial unemployment gap diminishing to its lowest level since we began measuring it. And so it is really disappointing to see that.

So what can we do going forward? You know, the most important thing we can do at the Fed, I think, is to take seriously the job of achieving maximum employment, and we have now changed our operating framework to acknowledge that maximum employment is a broad and inclusive goal, and by that we mean that we are going to look at various different measures of labor market conditions, including minority unemployment rates, frankly, and minority participation, labor force participation rates and wages and things like that. We are going to look at all of those things as we try to achieve our maximum employment goal.

The last thing I will say is I think we also enforce fair lending laws in our Division of Consumer and Community Affairs. We need to continue to do that rigorously. Ultimately, though, we will do whatever we can with our tools, but really it is going to take a broader attack on these problems than just the Fed alone can mount.

Senator JONES. Thank you, Mr. Chairman.

Secretary Mnuchin, I have got just a few minutes left. Any advice that you would give—a few seconds left, actually. Any advice that you would give to the incoming Administration or the incoming Congress about how to address these from an economic standpoint?

Secretary MNUCHIN. Well, as I mentioned earlier, I do think the CDFI investments are something that can be done quickly that will particularly help minority and underserved communities.

Senator JONES. All right. Thank you, Mr. Secretary.

Mr. Chairman, if you would bear with me just a couple more seconds, I wanted to express my appreciation to you and the Ranking Member and to all the Members on the Committee for the work that we have had together over the last 3 years. It has been remarkable to work with you, to watch the two of you work, but also the work that I have done with other Members on the Committee on both sides of the aisle. It has been an honor and a privilege to work with the entire Committee. I hope that as you, Mr. Chairman, move over to another Committee and assume additional duties, Chairman Toomey or Ranking Member Toomey, as the case may be—we do not know yet—will carry on the work of this Committee. I have really enjoyed my time with you over the last 3 years, so thank you both very much.

Chairman CRAPO. Thank you, Senator Jones.

Senator TILLIS.

Senator TILLIS. Thank you, Mr. Chairman. I want to thank both Senator McSally and Senator Jones for their service on this Committee. They were serious legislators, and I had the opportunity to work with both of them.

I also want to thank you for your leadership. You will leave it in good hands, but I am going to miss you as our Chair.

Gentlemen, thank you for being here. As I heard the discussions—I had to go vote. I am sorry I was not here for the whole of the hearing. But I remember vividly back in March, when we were negotiating—the “we,” I say, with Secretary Mnuchin and members of the Senate working together—we had an underlying set of assumptions, some that proved to be true, some did not. We knew we needed to do something big, bold, and fast. Then we came

up with the CARES Act. And I think the Paycheck Protection Program saved a lot of jobs. I also think the Main Street Lending Facility was a necessary facility even though at the time very few of us thought that it would be fully subscribed, and that has proven to be true.

We also made certain assumptions about how long this virus was going to impact the economic base. There were a lot of people thinking 90 days, 6 months, on the out side maybe the end of the year, which was the basis for the date that Secretary Mnuchin mentioned.

Well, things have changed, and I for one think that we do have to provide a bridge to what should be a trending positive environment maybe sometime in the second half of next year if we make certain assumptions about the manufacturing and distribution of the vaccine that I think can be valid with the historic approval of two vaccines in less than a year.

But, Secretary Mnuchin, I have to remind everybody of what you have said. You have said that you think that these dates are important and that Congress needs to act. But you have also in the same breath said that we need hundreds of billions of dollars more in the Paycheck Protection Program to provide that bridge, that stabilization. Is that your basis for that, that we just need to cover that window of opportunity probably through the second half of next year?

Secretary MNUCHIN. That is correct, maybe the first quarter or second quarter.

Senator TILLIS. And, Chairman Powell, I think you feel the same way. I do not think that we are necessarily talking about something on the scale of either the first CARES Act or the HEROES Act, but something that does provide some of the fundamentals for the businesses, and I think that they do need to be grants, not loans. But do you agree with that window that we really need to provide the bridge based on the inmate we have today?

Mr. POWELL. I think the bridge is exactly the right way to think about it. I do not have a view on exactly how much that needs to be, but that is the way we can see the end. We just need to make sure we get there.

Senator TILLIS. One thing—and, Chairman Powell, this may be for you—of the 10 million jobs that are still outstanding, has there been any analysis on the length of time that they are likely—in North Carolina, we have about 19,000 restaurants; 4,000 of them have closed permanently. So there is a structural element of unemployment where, even when the economy comes raging back, the job creators are not going to come back in time to see pick-up saving in the second half.

So do we have any analysis on the amount of unemployment that, if we provide additional stabilization funds, if we see the trending in the right direction with the vaccine—what is our structural deficit for that remaining unemployment? How much of that is structural long term versus likely to bounce back as the economy bounces back because the jobs are there as the business reopens and expands?

Mr. POWELL. That really is the big question we have been asking ourselves, and you have to make a lot of assumptions to have an

answer about that. It really is what does the postpandemic economy look like, and I think the faster we get there, the sooner the vaccines arrive, et cetera, then the smaller that number of people who are structurally unemployed will be. And there are various numbers. We will be happy to share something with you, with your office, if you would like.

Senator TILLIS. In my closing time, number one, I just want to thank you all for the extraordinary leadership in the job. I want to thank the banking industry for actually being a partner that helped us make the Paycheck Protection Program a success. I believe that we have to look at programs to take a look at the first-in, last-out industries. We have talked about a lot of them, restaurants, live performances, motor coaches, transportation. There is a lot of work that needs to be done, but I do not think anyone can rightfully criticize or suggest that the CARES Act has not been anything short of the MVP for stabilizing the economy when we hit the crisis, and you guys were two people on the team that made it successful.

I do not believe that we should be asking Secretary Mnuchin to do Congress' job. If Congress is serious about funding Paycheck Protection, if they are serious about stabilizing the economy, then get serious about passing a follow-up to the CARES Act.

Thank you, Mr. Chairman.

[Pause.]

Senator TILLIS [presiding]. And now I guess I am Mr. Chair. Senator Cortez Masto.

[No response.]

Senator TILLIS. Senator Smith.

Senator SMITH. Well, thank you, Mr. Chair. And hello, everyone.

First, I just want to say it does my hear good to see my colleague Senator Doug Jones, who I am used to sitting next to on the Banking Committee, and, Doug, I just want to thank you so much for your service, and we are going to miss you. And thanks also, of course, to Senator McSally.

I know that the Chair is not here, but I want to also thank Chair Crapo for his leadership. He has been nothing but welcoming to me, and I think, though, as Ranking Member Brown said, we do not always agree, I always feel that there is a way for us to work together, which is so important.

I want to just start by saying I want to add my voice to the many voices on this Committee today who have said that it is really important that we get something done to help families and small businesses that have been really struggling through this pandemic. We have got to get something done. And I also agree that we should not make perfect be the enemy of the good here. That is what I am hearing in Minnesota. And I have to say I have never worked anyplace where I heard more people talking more loudly about the need for action with less action happening.

I have not had a chance to see what our colleagues, a bipartisan group, have put together yet this morning, but I am encouraged by that and hope that that will take us somewhere. And I might ask my Republican colleagues to bring this up with Senator McConnell when you all have lunch together in a couple of minutes, because there is a great need for action here.



I want to actually pivot to something and have a little bit of a dialog with you, Chair Powell, about this. You have used, I think very appropriately, this metaphor of how we need to build a bridge to a postpandemic recovery. You point out that our economy has been responding better than we expected, but we still have a really, really long way to go.

And, you know, we also know that we are seeing long-term trends in inequality which make it harder and harder to generate the economic activity, the spending that is going to drive growth in the long term, and that is what we see because of raising long-term trends in inequality that are holding back spending for families of color, minority businesses of color. This is something several of my colleagues have brought up today.

So, Chair Powell, could you just talk a little bit about this? And I am especially interested in using your bridge analogy. You know, what are the risks of not building this bridge? What happens if we do not take this action right now and the long-term impacts of this growing inequality on our economy postpandemic?

Mr. POWELL. Thank you, Senator Smith. So these disparate economic outcomes across racial and other lines are a longstanding feature of our economy. They have been with us for a very long time, and there is a great risk that the pandemic is making them worse because the people who are most affected by the job losses were people in relatively low-paying parts of the service industry that happens to skew more to minorities and to women. And so there is a real concern that if we do not act as quickly as possible to support those people, get them back to work, get the economy up and running as much as possible, that we will leave behind a more unequal situation, which is tragic because we actually had been making good progress on these issues for the last few years. As the very long expansion, the longest in our recorded history, went on, we started to see the gains go more to people at the lower end of the income spectrum. We saw racial income gaps declining, racial gaps in labor force participation, and unemployment declining. We saw some very constructive things. But waiting for the eighth or ninth year of an expansion is not a perfect strategy.

So I think there really is an issue of wanting to do as much as we can to avoid exacerbating these longstanding differences and get back to a strong economy where we can start making progress again, which is what we were doing just back in February.

Senator SMITH. Right. And, you know, as the Fed Chair and as the Fed, you have the dual mission of low unemployment and, you know, managing inflation, hitting inflation target rates. What if the Fed, in this need to spur job growth—and we see that there has not been a big worry about inflation in the long term. What if the Fed were to lower its target for employment, you know, lower to 3 or even under 3 percent? What impact might that have on addressing long-term needs for addressing inequality?

Mr. POWELL. Actually, we have made a change in our operating framework which I think addresses that directly, and that is, while we are going to have an estimate of the natural rate of unemployment, we are not going to act on that, even if unemployment goes below that, unless we see inflation or some other problematic thing that seems to be linked to where our rates are. So we are not going

to preemptively raise rates until we see actual inflation now as a consequence of low unemployment. And I think that is a lesson that we learned during the last expansion when we saw very low, 50-year lows in unemployment with really no—and very high participation, really as strong a labor market as we have seen in my lifetime without inflation acting in a way that was concerning.

Senator SMITH. Thank you, Chair Powell.

Thank you, Mr. Chair. And I also want to extend my thanks to Secretary Mnuchin for his service. Thanks very much, everyone.

Secretary MNUCHIN. Thank you.

Senator TILLIS. Senator Cramer.

Senator CRAMER. Thank you, Mr. Chairman. And thank you to the two witnesses, of course, for being here.

Let me just also say congratulations to Chairman Crapo on a wonderful 2 years as Chairman. You have been great to me and to the whole Committee, and I really appreciate your approach.

Also, thank you to Senator McSally and Senator Jones. We will miss you both, and we are very grateful for your service.

Now, it should not surprise anybody that the issue on my mind and one that I pretty much wake up thinking about every day and wondering how we are ever going to tackle it, of course, with the CARES Act is PPP forgiveness. Secretary Mnuchin, I just want to address a couple things directly to you. You know, of course, that Senator Menendez and I, along with Senator Tillis and Senator Sinema and about 28 of our closest friends and allies from both political parties have introduced a forgiveness bill, Senate bill 4117. It takes all the loans at \$150,000 or less, a one-page attestation, and those would be forgiven. Those \$150,000 and less loans make up, like I said, 85 percent of the total loans but only 26 percent of the dollar amount.

Both of you, both Chairman Powell and Secretary Mnuchin, have said during this hearing that what businesses need are not loans but they need grants. Well, forgiveness was a major component of our bill, and once again, in my view, Congress did what it often does, and it does not prescribe enough of a solution, it allows the bureaucracy, which I fear more than the devil himself, frankly, to come up with their own rules and regulations that are always aimed at CYA, no understanding of how a business operates or how it keeps employees. But when we passed PPP, as you will recall, it was designed to largely be forgiven. It was designed to keep people on the payroll so they avoided the unemployment rolls. We encouraged, almost forced, small lenders and small borrowers to use the program. I have talked to literally hundreds, multiple times, hundreds of community banks, consumer banks, large banks, credit unions, even Farm Credit Services about PPP and why it needs to be utilized. And yet here we are still waiting for another package. It is my hope, desire, conviction to work my tail off to prescribe a solution to this.

But in the meantime, Mr. Secretary, I have been very disappointed in SBA's response. They seem to use, like the bureaucracy always does, their discretion to the advantage of the Government, not to the advantage of the small business. Let me give you just some specific examples that I have heard from my constituents. I am going to give you one borrower example, small business,

pretty typical, I think. Here is what they wrote to me: "Senator Cramer, please help." That is the opening line. "With Congress not passing a new stimulus, it leaves many small businesses in a bind. The problem is as we go to our bank and ask for an operating loan, they tell us, 'Not until you get your PPP forgiveness.'"

Now, why haven't they gotten it? You know, we have been pretty instructive on this.

"The bank says until we receive notice from SBA that the original PPP loan has been forgiven, they are not going to give us the money."

Here is how slowly they are working on this particular loan. This is a loan of just right at about \$100,000. They have moved so slow that they needed some pressure from us. So we applied that pressure, and here is what it took. It took 9 weeks—9 weeks, Mr. Secretary—to forgive a \$100,000 loan where the program was designed for it to be forgiven. This is a small motel-hotel operation in Bismarck. Nine weeks. And guess what? It took really 9 weeks and 1 day because the day that we made the call to inquire at SBA, it finally forgave the loan.

Now, this is one, this is just one example out of hundreds, maybe even thousands. Here is one from a lender before I let you answer. Here is a lender that says, "Just reaching out as FYI. SBA has requested additional documentation on 5 percent of the loans ranging from \$3,700 to \$134,000, an average of \$33,000 per loan. It is a waste of time."

So the bureaucracy again always does what the bureaucracy is going to do.

Mr. Secretary, this is very disappointing. This is very disappointing to people who did not even want to take loans. They could have laid all of these people off. They could have gotten that very generous unemployment extension program. But they trusted us, and SBA did just what we knew the bureaucracy is always going to do. They have extended the time. They have asked for more documentation. They have put more demands on them. The cost to comply is now \$2,000 per borrower, and it amounts to billions of dollars.

Obviously, my time is up. I would love to hear more from you. I have got lots more to say about it. But we have got to do better than this, Mr. Secretary.

Secretary MNUCHIN. I agree with you. We need to do better, and we support legislation to help forgiveness.

Senator CRAMER. But in the meantime, use the discretion. Please use the flexibility that the agency has and tell the bureaucracy to stop being such a bureaucracy.

Secretary MNUCHIN. We will.

Senator CRAMER. There is a big disconnect between the bureaucrat and the business and billionaires and the business. We need small businesses to thrive.

Chairman CRAPO [presiding]. Thank you.

Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you. Gentlemen, thank you. It is great to see you again. I so appreciate you being here.

Let me jump right into it. As you know—I talk to you about this all the time—I come from Nevada. The hospitality and leisure in-

dustry has been so hard hit. Nevada's unemployment rate now is more than 12 percent. We know that more than 175,000 people continue to claim unemployment insurance. Just the statistics from the American Hotel and Lodging Association that nearly 70 percent of hotels may close by the end of this year if they do not receive additional Government funding. And I will tell you, in Las Vegas and Reno, employment in our hospitality and leisure sector is down nearly 25 percent and 14 percent, respectively. So let me start there with both of you.

Secretary Mnuchin, what is the Administration and/or what are you advocating moving forward that we should do to address really the impact that we are seeing on our leisure and hospitality industry?

Secretary MNUCHIN. Well, specifically—and I agree with you, this industry has been devastated—I believe that the PPP could immediately help people. I think that the airlines have also been devastated, so we support additional relief for the airlines. But hotels, small businesses, entertainment, all of these companies could access the PPP.

Senator CORTEZ MASTO. Well, let me jump back there, because when I talk about hospitality and leisure, I am talking about restaurants, I am talking about live events, and if they are accessing the PPP, they are not looking for loans. And I think you said it earlier. It is not the loans that help. It is the grants. Isn't that correct? Shouldn't we be looking at providing them more opportunities for grants than loans that they have to pay back?

Secretary MNUCHIN. Well, the PPP, if it is used correctly, is a grant, so it is a loan that should get forgiven without the bureaucracy. But, yes, the PPP is effectively a grant, and that is what they need, not more loans.

Senator CORTEZ MASTO. Yeah, effectively it is. But as we have heard, there are challenges with it and ensuring—and I think the confusion even for these businesses is whether that will turn from a loan into a grant is still questionable for many of them, and that is why we are seeing the concerns that we see for so many not even applying.

Let me ask you, Chairman Powell, I know you and I have had this conversation. Again, do you believe that the hospitality and leisure industry needs another stimulus package like a comprehensive package for relief to sustain this industry?

Mr. POWELL. I would agree that the industry had really been devastated, and the two things it needs is for the pandemic to be over, which we really cannot do, and it needs grants, which we also cannot do. Our loan programs are really not—you cannot over-generalize, but for most people, most businesses in that industry, really what they need is more fiscal support.

Senator CORTEZ MASTO. That is right. And so let me jump back then to another conversation that I have heard on State and local governments. Let me just reassure you, gentlemen, that the States and local governments need an additional relief. My State does, the State of Nevada, for the very reasons that I am talking about. We have a budget hole of over \$1 billion. But that is just not Nevada. That is all of the States. There is bipartisan support that I have seen, and as most recently as September of this year from the Na-

tional Governors Association, bipartisan support for additional relief for State and local governments for the very reasons that we are talking about. And so this idea that there are red States and blue States or States do not need it or they are going to misuse it I think is a misnomer. It is getting in the way of really the needs that we have across this country in a bipartisan way.

So let me just reassure you, Governors from Republican and Democratic States—or Republican and Democratic Governors are both asking for additional relief for State and local governments, and we need it for the very reasons I have just talked about.

But let me ask you this. Secretary Mnuchin, jumping back to the \$454 billion that was appropriated to the Federal Reserve's Exchange Stabilization Fund, is it your position that by the end of this year, if Congress does not make changes or change the legislation, that not only your authority stops but that you will actually transfer those additional funds back to the State treasury?

Secretary MNUCHIN. Well, I have commented on this several times already, and I will repeat it again. My actions are not economic; it is purely my interpretation of the law. I think the section was pretty clear. I cited it earlier. I would be happy to follow up with you or anybody else on this. And as regards to when the money comes back, it is fully prescribed within the law what happens to the money, so there is no discretion on my part.

Senator CORTEZ MASTO. OK, and that is what I want to get back to, because I absolutely agree with you. It is very specific in the law, the termination of the authority, of your authority, but it is also specific on where that money is supposed to stay, and that you do not have the authority to transfer it under this law. And I just wanted clarification of that. If your legal authorities are telling you something differently, or your attorneys, I would like to know that, because the way I read it, you do not have the authority to transfer this money back to the Fed, under at least the CARES Act authority. So please share that with me.

And I know my time is running out, and I will submit the rest of my questions for the record.

Let me just say, Secretary Mnuchin, thank you for your service. It is not an easy thing to do, particularly in this atmosphere where there is so much partisanship. I appreciate—we did not always agree, but I appreciate your service, so thank you.

I also want to thank my colleagues Senators McSally and Jones. I have enjoyed working with them, and their contributions to this Committee have at least helped me understand as well numerous issues that impact this country in our financial sector. So thank you all again for your service.

Secretary MNUCHIN. Thank you.

Chairman CRAPO. Thank you.

And our final Senator who will be telephone is Senator Sinema.

Senator SINEMA. Thank you, Chairman Crapo, and thank you to our witnesses for being here today.

You know, Arizonans are struggling to make ends meet during the pandemic, and I regularly hear from families and small businesses back home that are concerned they will not make it through the winter, especially since coronavirus cases are spiking across the country. By passing the CARES Act and authorizing the Treasury

Department's backing of the Federal Reserve's emergency lending facilities, we lowered borrowing costs for households and businesses alike, protecting jobs and stabilizing our economy as we continue to fight the coronavirus.

With cases on the rise, now is not the time to pull back critical support for families and businesses in Arizona, and that is why I am disappointed by Treasury's decision to withdraw financial support for the lending facilities, particularly the Main Street Lending Facility. It moves us in the wrong direction and puts it really further out of reach for people that desperately need it.

So, Secretary Mnuchin, recognizing that many U.S. businesses need direct relief as well as access to credit, do you believe that businesses, particularly local restaurants, retail businesses, and those in the hospitality industry, have what they need right now to survive the winter?

Secretary MNUCHIN. No, I do not. I think that is why I encourage Congress to authorize us to spend the \$140 billion of unspent PPP money so we can give them second loans that, if used properly, will turn into grants and save lots of jobs.

Senator SINEMA. Well, this is an area where we agree, Secretary Mnuchin.

Secretary MNUCHIN. Thank you.

Senator SINEMA. And I also think that those dollars should be released and used by businesses around the country.

I do hear from business leaders across the State, though, that we need to expand and improve, not retreat, the lending facilities. And so I am hearing from folks at home that many small and mid-sized businesses in Arizona will not make it without additional relief, and if they cannot get direct relief, they should at least get access to credit. I think they should have both. And, of course, this is not just about the businesses. This is about the small business owners and the workers and their households. There is a lot at stake here, and families, jobs, and their homes hang in the balance.

You know, back home in Arizona, most people do not think that Washington cares very much about what happens to them, and my concern is that decisions to end the Main Street Lending Facility, where things are getting caught up in partisanship and procedure and people are losing sight of the end result, it makes me think that folks in Arizona might be right to have given up on Washington.

Now, Secretary Mnuchin, if you could just briefly respond to my question about the Main Street Lending Facility, we agree on funding for PPP, but I would like to hear your thoughts about the Main Street Lending Facility and why you think that this should be eliminated or ended for mid-sized businesses in Arizona and throughout the country?

Secretary MNUCHIN. Well, again, my reason of why it should be ended is because there is a December 31st termination date in the law. I think it is very clear. I have already cited the section. I have it with me. I will not go through it again. I would be happy to send it to you. Congress can extend it. I personally think that EIDL loans out of the SBA are more effective.

One of the problems with the Main Street Facility was that a lot of those small companies that are doing well had access to banks,

and the companies that did not fit the program. But, again, it was not a judgment on my part. It was merely following what the law prescribes.

Senator SINEMA. Now, Secretary, I know that Senator Cortez Masto asked to see the legal reasoning for your decision to end it. I would like to see that as well.

You know, we have known about some concerns around the Main Street Lending Facility for months. In our last time together, I lamented the fact that I believe that Treasury and the Fed jointly set these terms too stringently and that many businesses in Arizona were unable to take advantage of them. So I would like to reiterate that I believe that the program should be continued and that eligibility should be expanded for the facility and the term sheet should be changed so we can help more businesses in need.

Now, Chairman Powell, I have seen your take on this, and I know that you and Secretary Mnuchin do not agree on the extension of the Main Street Lending Facility. Do you think that households and businesses will risk having lower or higher borrowing costs because of the end of the Main Street Lending Facility?

Mr. POWELL. Actually, it is a little more complicated than that. The Congress gave the Secretary sole authority over the CARES Act funding. We play no role in that, and that is in distinction to the 13(3) facilities, which we designed together because we both have to approve. And the Secretary reads the law as he said, and really his voice is the authoritative one on that, and we accept that. We accept that reading of the law.

So our point really was that other central banks—and any central banker would tell you that it is premature to be pulling back support for the economy, and the Secretary did indicate in his letter—and it is true—that we can either reestablish facilities or institute new facilities, and we can even have Exchange Stabilization Fund backing for that, provided the legal requirements are met.

I hope that is responsive to your question.

Senator SINEMA. It is. Thank you.

I see that my time has expired, Mr. Chairman. I do have a couple further questions, but I will submit those for the record.

Chairman CRAPO. Thank you, Senator Sinema. That concludes the questions. Senator Brown has asked for a little bit of time for closing remarks. Senator Brown.

Senator BROWN. Thank you, Mr. Chair, and thanks again for your service on this Committee.

Mr. Chairman, Republicans told us today the only thing we set out to do is to stabilize the markets, and we have achieved those goals so we can end support to the facilities. Look around us. That is not the reality we are facing in our States. People are dying in larger numbers than ever before from this virus. Businesses are still closing. Sixty restaurant owners collectively told me yesterday that it is worse than it was in February, March, and April. People are increasingly worried about the virus. People are still losing jobs. They are working at unsafe jobs in an unsafe environment.

Secretary Mnuchin ended programs that are still helping small and medium-sized businesses and helping State and local governments. He just simply did not need to do that.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

And that concludes the questioning from today's hearing. For Senators who wish to submit questions for the record, those questions are due to the Committee by Tuesday, December 8.

To each of our witnesses, we ask that you respond to those questions as promptly as you can. I want to thank you each for joining the Committee today and for your service.

This hearing is adjourned.

[Whereupon, at 12:21 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]



**PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO**

Today, we welcome the witnesses to the Committee to provide testimony as required under Title IV of the CARES Act: The Honorable Steven T. Mnuchin, Secretary of the Department of the Treasury; and The Honorable Jerome H. Powell, Chairman of the Board of Governors of the Federal Reserve System.

On November 19, Treasury Secretary Mnuchin requested for the Federal Reserve to return unused funds that had been appropriated under Title IV of the CARES Act for 13(3) facilities and direct loans.

I agree with Secretary Mnuchin on the success of the 13(3) facilities and the termination language in the CARES Act.

The 13(3) facilities funded under the CARES Act were effective, and fulfilled their purpose to stabilize markets, facilitate credit flow, and provide liquidity.

The *Wall Street Journal* editorial board summed it up well: “All of these programs were created in an emergency at the onset of the pandemic when the financial markets were in danger of melting down.”

Adding that, “The programs worked. Even as the pandemic and Government shut-downs have waxed and waned, financial markets have healed. Lending spreads have fallen, and liquidity is ample in nearly all markets.”

The most recent Federal Reserve Financial Stability Report pointed to some of these successes.

It said, “the announcements of the Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, and Municipal Liquidity Facility in late March and early April led to rapid improvements in corporate and municipal bond markets well ahead of the facilities’ actual opening.”

The report also said, “. . . Since the announcement of the backstop facilities and funding market stabilization measures, more than \$1 trillion in new nonfinancial corporate bonds and more than \$250 billion in municipal debt have been issued, purchased almost entirely by the private sector.”

With respect to asset-backed securities, the report noted that, “Similar to other backstop facilities, while outstanding balances in the Term Asset-Backed Securities Loan Facility have remained modest, spreads in the asset-backed securities market have narrowed considerably, and private market issuance has resumed.”

With just one month until the December 31 termination date, only \$195 billion of the \$454 billion needed to be allocated to the 13(3) facilities, and those facilities have not been extensively used to date.

Returning the unused \$455 billion to Treasury now allows those funds to be made available for other important purposes, such as providing more targeted relief to sectors of the economy that need it most, or to reduce the national debt.

The CARES Act funding supporting these facilities was always intended to be temporary.

Additionally, as was mentioned in both Secretary Mnuchin and Chairman Powell’s letters, the Exchange Stabilization Fund still has non-CARES Act funds that are available, to the extent permitted by law, to capitalize any Federal Reserve lending facilities as needed.

In fact, the Fed has four facilities that were set up with non-CARES Act funds, including the commercial paper facility and money market liquidity facility.

Although COVID-19 continues to spread across the United States and world, there is hope in the economic recovery that we have seen so far, and in the reports of promising, highly effective vaccine trials.

However, we continue to look to steps we can take to help Americans and businesses that need it most.

Republicans have tried for months to get another targeted, bipartisan COVID relief package passed and signed into law to provide support for those in need, but Democrats have rejected those efforts.

It is time to find agreement where we can on targeted, bipartisan relief.

Turning for a moment to regulations, the CARES Act included other meaningful pandemic-related programs to provide relief to Americans.

I have heard from banks and credit unions concerned about breaking through regulatory thresholds that stand to impose a much greater regulatory burden due to the temporary growth they have experienced from customer deposits and participation in pandemic-related programs, like the Paycheck Protection Program and Economic Impact Payments.

On November 20, the Fed, FDIC, and OCC took an important step to mitigating banks’ regulatory burden by giving community banks under \$10 billion more flexibility to use their asset size on December 31, 2019, for applying various regulations.

I appreciate the banking agencies taking this action, which will foster a more certain regulatory environment for these banks and incentivize their participation in future pandemic-related programs, should they be needed.

Secretary Mnuchin, as you know, housing finance reform remains a top priority of mine, and last year I released a housing reform outline which builds upon many of the same principles from previous efforts.

While my preference was for Congress to pass a bipartisan deal, it is long past time to make the hard decisions and address this last unfinished business of the financial crisis.

Because of that I would encourage you and the Director of the FHFA to continue to take important steps that move the system in the right direction. The status quo is not acceptable.

I thank each of you for joining the Committee today to discuss the CARES Act and other critically important issues.

Before I turn to Senator Brown for his opening, I want to take some time to thank both Senators McSally and Jones for their contribution and time to this Committee.

I have enjoyed working with them, spending time with them and getting to know them, and they will be missed. I wish them both the best.

Finally, I want to thank Senator Brown and his staff for the time we have worked together on this Committee.

I have appreciated our time together on this Committee, and our friendship, even if we, at times, may not have seen eye to eye. Thank you.

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#### PREPARED STATEMENT OF SENATOR SHERROD BROWN

Thank you, Chairman Crapo. Welcome Secretary Mnuchin and Chairman Powell.

I'd first like to take a moment to thank Senator Jones and Senator McSally for their service on the Committee, and Chair Crapo for his leadership, decency, and patience. You can run, but you can't hide—I'm also on the Finance Committee.

Also, I would like to thank your Staff Director Gregg Richard and the rest of your staff for their continued hard work.

We've worked together to deliver results—working to strengthen our review of foreign investment, to hold Russia and North Korea accountable, to give American manufacturers the tools they need to compete through a strong Ex-Im Bank, and to continue to protect our communities from terrorism attacks.

I also appreciate Chair Crapo and his staff's work to hold many of our hearings virtually during this pandemic—protecting all the people who work in the capitol from this virus shouldn't be a partisan issue, and on this Committee, it largely hasn't been. It's something I wish were true about more areas of our Government.

Chair Powell and Secretary Mnuchin, in the 2 months since you were last here, the situation around the country has only gotten worse—the virus is spreading unchecked, job losses are up, and economic growth is declining.

The number of new daily COVID-19 cases is up four-fold and daily deaths have more than doubled. In many parts of the country, the case numbers and hospitalizations are worse than in the spring.

Just last week, 748,000 people filed for unemployment insurance. Millions more have been out of work since April.

In October, 3.4 million homeowners were past due on their mortgages and many of them will run out of forbearance options by April. As many as 40 million renters will spend the holidays worrying that they'll be evicted on January 1st, if their Government doesn't do its job.

Behind all these numbers are real families who are doing their best, trying to figure out how to get by. During Thanksgiving week, there were hours-long lines at food banks across the country.

This is an extraordinary crisis that requires extraordinary action—but we have a President who has given up on leading the country.

And as far as I can tell, Secretary Mnuchin, you're leaving the country worse off than you found it.

With that record, it's pretty obvious why 80 million Americans decisively voted for new leadership.

And rather than use your final months in office to work for the people you're supposed to serve, you appear to be trying to sabotage our economy on your way out the door.

After the election, you canceled the Federal Reserve lending programs, taking away critical tools to invest in the people and communities and small businesses that make this country work.

There is no legitimate justification for it.

Either you're purposefully trying to stop President-elect Biden and Janet Yellen from getting to work for the people we all serve, or you're so delusional that you think because the stock market is back up, everything is fine.

Either way, it's malpractice.

It was only the end of October when you finally reduced the minimum loan size for the Main Street program to \$100,000, so the program would actually work for small businesses and communities. But now, after all the waiting and adjusting, the Main Street program finally gets going and you take away another tool to help American businesses and workers.

Even the policy head at the Chamber of Commerce said that shutting down the emergency lending programs "closes the door on important liquidity options for businesses at a time when they need them most."

It's always the same story—when the biggest banks and the largest corporation needs help, their allies in Washington spring into action. But when the rest of the country needs investment and support, you want to pretend we can't afford it.

You cited Congressional intent as a flimsy justification for your decision.

I can tell you right now—we didn't intend for struggling businesses to have to wait over 3 months to have access to the lifeline provided in the CARES Act, we didn't intend for the loan requirements terms to be amended several times, and we certainly didn't intend for the legislation passed in March to be the only efforts the United States of America would take to fight a once-in-a-generation crisis.

Anyone who has watched the news at all in the last month would know this is the time for action, not retreat.

We're watching hospitals fill up again. Our health care system is getting overwhelmed. Gig workers and self-employed workers will lose their unemployment insurance at the end of the year. Small businesses and local governments are running out of money.

It doesn't have to be this bad.

We have the world's largest, greatest economy. We have the resources to rise to meet this challenge.

But Secretary Mnuchin, you appear to believe this is the best we can do.

In this election, Americans made it clear that they don't buy that.

They've had enough of aiming low, of being told "we can't do it, we can't solve problems, we can't govern, we can't afford it."

We know we can do better—we've done it before.

Remember what Bill Spriggs told this Committee in September—we didn't win WWII by worrying about whether or not we could afford it. We were in a global crisis and we marshaled all of our vast resources and talent to rise to meet it—and then we grew the economy from the middle class out, and we paid down the debt with rising wages.

And if we've learned anything from this crisis, it should be that we can do the same again.

Remember what we did in March—we came together, we took action, and it made a real difference in people's lives. In the face of mass layoffs, we put money in people's pockets and helped them pay their bills and keep spending in the economy. We kept 13 million people out of poverty.

And it helped everyone, including the stock market you love to brag about.

There is no reason—other than a lack of political will—that we can't do the same again.

A worker who is about to lose her job doesn't care about the date on the calendar or who is sitting at the Secretary's desk. They care about results.

Secretary Mnuchin, if you and President Trump won't deliver them, the least you can do is get out of the way.

I know Chair Powell has been clear in previous hearings that we need more stimulus to have any chance at a real, broad economic recovery—one that reaches beyond Wall Street to Main Streets in Cleveland and Boise and Scranton and across America, and that shows up in people's paychecks, not just corporate balance sheets.

I hope today the American people will get reassurance that the Federal Reserve will be part of that effort.

It's time for us to use every tool available to rise to meet the challenges before us, and to restore people's faith in our Government.

**PREPARED STATEMENT OF STEVEN T. MNUCHIN**

SECRETARY, DEPARTMENT OF THE TREASURY

DECEMBER 1, 2020

Chairman Crapo, Ranking Member Brown, 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 percent 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 percent 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 percent of the jobs lost. The unemployment rate has decreased to 6.9 percent, 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, and on 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 eighth 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.

**PREPARED STATEMENT OF JEROME H. POWELL**

CHAIR, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DECEMBER 1, 2020

Chairman Crapo, Ranking Member Brown, 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 prepandemic 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 5-year maturity, no principal payments in the first 2 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 precrisis

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 4

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 3-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.



**RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN  
FROM STEVEN T. MNUCHIN**

**Q.1.** As you know, the hospitality industry was exempt from the SBA's affiliation rules, thus allowing and the predictable result was that many large hotel corporations, real estate investors and private equity firms applied for and received multiple PPP loans for the various hotels they owned.

For example, affiliates of luxury hotel company Omni Hotels & Resorts received separate PPP loans for 32 of its owned hotels and the aggregate total of those loans was between \$52,000,000 and \$120,000,000, according to SBA data. Several Omni properties that received PPP loans were closed during the applicable period, and at many of the others, only limited staff has been employed since the end of March. At five of those properties that received PPP loans and are represented by the hospitality union UNITE HERE, virtually all of the employees represented by UNITE HERE remain unemployed and most lost their health insurance.

There are other similar examples of large real estate interests that received multiple PPP loans for their hotel real estate holdings, even though most or all of the employees at their hotels had already been, and remain, laid off and without health benefits to this day.

If it is determined that a company receiving multiple PPP loans never seriously considered using a substantial amount of that PPP funding for paychecks or benefits for employees, would you consider that to be an abuse of the PPP program?

Is there any appropriate reason to forgive any portion of a PPP loan to a borrower who did not attempt to use the proceeds to fund paychecks or benefits?

**A.1.** The Small Business Administration (SBA) will review all Paycheck Protection Program (PPP) loans of \$2 million and greater, and other PPP loans under \$2 million as appropriate, for fraud, abuse, and compliance with program requirements, as well as for the accuracy of PPP borrowers' certifications. SBA will also review a statistically valid sample of loans less than \$2 million. The Department of Justice is also actively pursuing cases that involve potential fraud, and SBA and Treasury will support those efforts as appropriate to continue advancing program integrity.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TILLIS  
FROM STEVEN T. MNUCHIN**

**Q.1.** As the response to the COVID-19 pandemic continues, many niche industries face a long, grim road to recovery. One of these is the motorcoach industry. Some estimates predict that up to 40 percent of these small businesses will cease to function by year's end without targeted relief, at the cost of tens of thousands of jobs and severe damage to our overall transportation network.

Can Treasury consider targeted measures to ensure these motorcoach carriers remain viable until there is opportunity for recovery?

**A.1.** 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, which includes an additional \$2

billion in assistance to the transportation industry, including the motorcoach industry.

**Q.2.** If targeted relief cannot be provided by Treasury to bridge the crisis, will the Administration support inclusion of the CERTS Act in a COVID relief or stimulus package to be negotiated between Congress and the Administration?

**A.2.** 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, which includes an additional \$2 billion in assistance to the transportation industry, including the motorcoach industry.

**Q.3.** In your Housing Finance Reform Plan from September 2019, you state that to end conservatorship of Fannie and Freddie, they should each be able to operate safely and soundly and without posing an undue systemic risk. You also state several minimum preconditions for FHFA as it considers exiting GSEs from conservatorship.

Can you comment on the potential adverse market consequences if the GSEs are rushed out of conservatorship without the Treasury's recommended minimum preconditions being met?

**A.3.** As Treasury made clear in its September 2019 Housing Reform Plan,<sup>1</sup> building sufficient capital is critical for the GSEs' path out of conservatorship and to protect taxpayers. Additional changes to the PSPAs 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.

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**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR CORTEZ MASTO FROM STEVEN T. MNUCHIN**

**Q.1.** Please provide the legal analysis and reasoning to justify returning funds used to backstop the Federal Reserve's facilities to Treasury.

**A.1.** 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 Coronavirus Aid, Relief, and Economic Security (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. Consistent with this position, Congress has rescinded unused CARES Act funds and appropriated funds to provide additional support for American workers and businesses in sectors that are experiencing serious difficulties.

**Q.2.** Does the White House believe there is a need for rental assistance? If so, how much money does the Administration believe is needed?

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<sup>1</sup> <https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf>

**A.2.** 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, which includes \$25 billion in rental assistance for struggling American households.

**Q.3.** What policies is the Administration offering to leisure and hospitality businesses and workers to support them until a vaccine is distributed?

**A.3.** Treasury is committed to providing support for American workers and businesses. That is why we worked with Congress on a bipartisan basis to pass a Phase IV relief package that includes \$284.45 in additional PPP funding. The bipartisan relief package expanded allowable and forgivable PPP expenses to include supplier costs on existing contracts and purchase orders, including the cost for perishable goods at any time, costs relating to worker protective equipment and adaptive costs, and technology operations expenditures. These expanded forgivable expenses will directly benefit leisure and hospitality businesses when they apply for a first or second PPP loan. In addition, borrowers assigned to industry NAICS code 72 (Accommodation and Food Services), which have been directly affected by onerous State and local restrictions, can now also receive a PPP second draw loan equal to 3.5x their average monthly payroll costs.

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**RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA  
FROM STEVEN T. MNUCHIN**

**Q.1.** In November, the Federal Housing Finance Agency (FHFA) released its final rule on a new regulatory capital framework for Fannie Mae and Freddie Mac.

Given that the rulemaking is another step closer to ending Fannie Mae and Freddie Mac's conservatorship, are Treasury and the FHFA planning to release the Enterprises from conservatorship before January 20, 2021?

What impact would an early release have on home owners?

What impact would an early release have on savers who have mortgage-backed assets in their pension and retirement funds?

Has Treasury analyzed the impacts of an early release?

Can you provide any assurances that an early exit from conservatorship is not being contemplated by the Treasury?

**A.1.** As Treasury made clear in its September 2019 Housing Reform Plan,<sup>1</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.

**Q.2.** In November, you requested the Federal Reserve return unused funds provided by the CARES Act, indicating your intent to

<sup>1</sup> <https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf>

end the temporary 13(3) emergency credit facilities, including the Primary and Secondary Market Corporate Credit Facilities, the Municipal Liquidity Facility, the Main Street program, and the Term Asset-Backed Loan Facility.

What is your rationale behind ending these programs instead of attempting to improve program uptake or reach?

**A.2.** 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. Consistent with this position, Congress has rescinded unused CARES Act funds and appropriated funds to provide additional support for American workers and businesses in sectors that are experiencing serious difficulties.

**Q.3.** Has the Treasury quantified the potential economic output by businesses that might be realized if the emergency facilities are extended and improved?

Has the Treasury quantified any potential economic output in terms of increased employment?

What economic stimulus plans have you suggested for the reallocation of unappropriated funds to assist small to mid-sized business?

**A.3.** 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. Consistent with this position, Congress rescinded unused CARES Act funds and appropriated funds to provide additional support for American workers and businesses in sectors that are experiencing serious difficulties.

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**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY  
FROM JEROME H. POWELL**

**Q.1.** Chairman Powell, as you know, the Federal Reserve Board's rules regarding debit card interchange fees and routing includes a provision exempting small issuers (those with less than \$10 billion in assets) from the interchange fee limitations. Recently, the federal bank regulatory agencies announced an interim final rule that, in part, provides temporary relief related to this exemption for certain community banking organizations that would otherwise have crossed the threshold simply as a result of their growth in their assets due to their participation in critical Government programs aimed at responding to the COVID-19 pandemic. Specifically, with regard to the requirements covered by the interim final rule, certain community banking organizations that would have crossed the \$10 billion threshold under the interchange rule in 2020 would have their assets measured as of December 31, 2019. While I appreciate regulators' efforts to provide much-needed relief to these financial institutions, I remain concerned that this adjustment does not provide enough flexibility for banks hovering at the \$10 billion

threshold. Such banks were critical participants in relief programs such as the PPP, and their continued participation in relief programs will continue to be crucial to recovery. As such, it would appear advisable for this temporary relief related to the interchange rules to be extended through December 31, 2021, to allow more time for banks to roll new assets off their balance sheets and, as importantly, to continue to provide relief to customers in lieu of racing to shrink their balance sheets back below \$10 billion before December 31, 2021.

In light of this, will you commit to working with me and my staff to resolve these concerns and ensure that these community banks can again actively participate in future COVID-19 response programs without being concerned about the significant regulatory burdens that would otherwise result from crossing this critical asset threshold?

**A.1.** The interim final rule that the Federal Reserve Board (Board), the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency announced on November 20, 2020, provides temporary relief for community banking organizations whose assets have grown during COVID-19, in many cases because of participation in Federal coronavirus response programs, such as the Paycheck Protection Program (PPP). In particular, the interim final rule permits banking organizations that would have crossed Regulation II's \$10 billion threshold as of December 31, 2020, and thus become subject to the debit card interchange fee cap, to instead measure their assets as of December 31, 2019, for purposes of determining whether the firm is subject to the interchange fee cap in 2021. You expressed concern that the period for this relief is too short and should be extended through 2021 to allow more time for banks who are participating in Federal COVID-19 response programs to roll new assets off their balance sheets.

As you may be aware, the interim final rule public comment period closed on February 1, 2021. The Board will carefully consider the points presented in your question in the Board's review of comments to the interim final rule.

As the interim final rule stated, the last day for lenders to make PPP loans as originally authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was August 8, 2020, and a significant amount of the PPP loans that were extended by that date will likely be forgiven by the first calendar quarter of 2021. The Small Business Administration recently released a simpler loan forgiveness application for PPP loans of \$50,000 or less, which will likely result in PPP-related assets being removed from community banking organizations' balance sheets at a faster rate.

The Board also recognizes that other Federal COVID-19 response programs in the future, including the recently authorized new round of PPP lending, could affect banks' balance sheet growth. The Board, in conjunction with the other Federal bank regulatory agencies, will continue to consider and evaluate this issue, particularly in light of COVID-19, to assess whether further temporary relief would be appropriate.

**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR MENENDEZ FROM JEROME H. POWELL**

**Q.1.** Last month, a Treasury Department spokesperson said that Treasury plans to put the \$429 billion the Department is withdrawing from the Federal Reserve’s lending facilities into the Treasury’s General Fund. However, Section 4027 of the CARES Act, the section that provides Treasury with the appropriation of these funds, states, “On January 1, 2026, any funds described in paragraph (1) that are remaining shall be transferred to the general fund of the Treasury.”

Chair Powell, will you commit to not return any funds to the Treasury until the Secretary assures Congress and the public that those funds will remain in the Exchange Stabilization Fund as required by the CARES Act? If not, please explain why not since the CARES Act specifically states, “on January 1, 2026,” not “by” or “no later than” that date?

If you cannot make this commitment, can you please identify the authority with which you believe Secretary Mnuchin has the right to move these funds into the General Fund before the January 1, 2026, date specified in the CARES Act?

**A.1.** The Consolidated Appropriations Act, 2021, amended the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to require that, after December 31, 2020, (with the exception of the Main Street Lending Program (Main Street), which was granted an extension through January 8, 2021), the Federal Reserve shall not make any new purchases under facilities that are supported using funds allocated to the U.S. Department of the Treasury (Treasury) under the CARES Act. In addition, the Consolidated Appropriations Act, 2021, rescinded the appropriation for the unobligated portion of these funds. Accordingly, in early January, the Federal Reserve returned approximately \$62 billion of the funds contributed to the CARES Act facilities by the Treasury and removed the commitment to contribute additional funds.

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**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR CORTEZ MASTO FROM JEROME H. POWELL**

**Q.1.** If the incoming Treasury Secretary restores Congress’ appropriation to the Exchange Stabilization Fund, how would implementation work operationally at the Fed?

**A.1.** Section 1005 of the Consolidated Appropriations Act, 2021, amended the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to require that, after December 31, 2020, (with the exception of the Main Street Lending Program (Main Street) which was granted an extension through January 8, 2021), the Federal Reserve shall not make any new purchases under facilities that are supported using funds allocated to the U.S. Department of the Treasury (Treasury) under the CARES Act. Accordingly, the Federal Reserve ceased the extension of credit under those emergency lending facilities backed with funds appropriated under the CARES Act and, as required by law, the Federal Reserve will not make new purchases under these facilities.

**Q.2.** If the funds are returned, can the Federal Reserve continue to make loans under its emergency lending facilities?

**A.2.** As noted above, 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 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 Municipal Liquidity Facility (MLF), the Term Asset-Backed Securities Loan Facility (TALF), the Primary Market Corporate Credit Facility (PMCCF), and the Secondary Market Corporate Credit Facility (SMCCF).

The remaining Federal Reserve emergency lending facilities—the Commercial Paper Funding Facility (CPFF), Money Market Mutual Fund Liquidity Facility (MMLF), Paycheck Protection Program Liquidity Facility (PPPLF), and the Primary Dealer Credit Facility (PDCF)—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.

**Q.3.** Can the Federal Reserve operate lending programs without Treasury funds as a backstop? Can the Federal Reserve use repaid Main Street loans to make new loans to businesses?

**A.3.** Section 13(3) of the Federal Reserve Act authorizes the Federal Reserve to establish an emergency lending facility under unusual and exigent circumstances. By law, the loans that the Federal Reserve extends must be satisfactorily secured and sufficient to protect taxpayers from loss. In determining whether an emergency lending facility meets these requirements, the Federal Reserve considers the terms and conditions of the facility and any other relevant factors, such as the existence of an investment made by the Treasury. Certain emergency lending facilities established by the Federal Reserve were backed by funds invested by the Treasury, while other facilities—such as the PDCF and the PPPLF—are not backed by funds invested by the Treasury. However, the Department of Treasury must approve of any emergency lending facility, whether the Treasury provides funds or not.

With respect to Main Street, section 1005 of the Consolidated Appropriations Act, 2021, amended the CARES Act to require that, after January 8, 2021, the Federal Reserve not make any new purchases.

**Q.4.** What policies, if any, has the Federal Reserve put in place to create a more diverse, equitable, and inclusive workplace?

**A.4.** The Federal Reserve Board (Board) is dedicated to developing and sustaining a diverse and inclusive workforce. The Diversity and Inclusion Strategic Plan 2016-19, published in 2016, provides the foundation to guide the Board's efforts in creating and sustaining a high-performing workforce that embraces diversity and empowers all employees to achieve their full potential. In further support of its commitment, the Board has in place strategic objectives to attract, hire, develop, promote, and retain a highly skilled and diverse workforce. We continue to address strengthening a diverse, equitable, and inclusive culture and workplace through our

policies and practices. We strive to learn from our experiences and adhere to best practices. Through these and other intentional and coordinated actions we ensure our continued commitment:

- Frequent engagements and activities for the entire Board staff and for smaller groups that encourage and enable employees' sharing of experiences addressing diversity, equity, and inclusion.
- Promotion and support for Employee Resource Groups.<sup>1</sup> These groups hold educational events and activities, and help identify and drive Talent Acquisition, On-Boarding, Career Development, and Culture change initiatives.
- Provision of professional development programs, including mentoring, rotation assignments, coaching, and leadership training.
- Ongoing focus on succession and workforce planning to address future workforce needs and strengthen the diversity of the managerial pipeline and progression to leadership positions.
- Intensive recruiting to ensure diverse candidates for job vacancies. This includes outreach to diverse professional networks, usage of diversity job boards, and attendance at job fairs at Hispanic-Serving Institutions and Historically Black Colleges and Universities.
- Required training for hiring managers focused on hiring without bias.

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<sup>1</sup>See <https://www.federalreserve.gov/careers-diversity.htm> for a list of Employee Resource Groups.



ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD  
**STATEMENT OF CUNA, SUBMITTED BY CHAIRMAN CRAPO**



**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 Mike Crapo  
 Chairman  
 Committee on Banking, Housing and Urban Affairs  
 United States Senate  
 Washington, DC 20510

The Honorable Sherrod Brown  
 Ranking Member  
 Committee on Banking, Housing, and Urban Affairs  
 United States Senate  
 Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of America's credit unions, I am writing regarding the Quarterly CARES Act Report to Congress. The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members. Thank you for your consideration of our views.

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 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 S. 4117, the Paycheck Protection Program Small Business Forgiveness Act, introduced by Senators Cramer, Menendez, Tillis and Sinema, and its House companion, H.R. 7777. 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 Kusle  
President & CEO

## STATEMENT OF NAFCU, SUBMITTED BY CHAIRMAN CRAPO



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National Association of Federally-Insured Credit Unions

November 30, 2020

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing  
and Urban Affairs  
United States Senate  
Washington, D.C. 20515

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing  
and Urban Affairs  
United States Senate  
Washington, D.C. 20515

**Re: Tomorrow's Hearing: "The Quarterly CARES Act Report to Congress."**

Dear Chairman Crapo and Ranking Member Brown:

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, "The Quarterly CARES Act Report to Congress," 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 S.4117, 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 Mike Crapo, The Honorable Sherrod Brown  
 November 30, 2020  
 Page 2 of 4

Act, was tremendous. However, NAFUCU 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, NAFUCU is supportive of a simplified loan forgiveness process for PPP loans under a \$150,000 threshold, such as proposed in S.4117, 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 S.3676, 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 in the House, HR.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. NAFUCU 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 S.3676.

The Honorable Mike Crapo, The Honorable Sherrod Brown  
 November 30, 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 Mike Crapo, The Honorable Sherrod Brown  
November 30, 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@nafcu.org](mailto:lplush@nafcu.org).

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs

## STATEMENT OF NAR, SUBMITTED BY CHAIRMAN CRAPO



November 30, 2020

**Charlie Oppler**  
2021 President

**Bob Goldberg**  
Chief Executive Officer

**ADVOCACY GROUP**

**Shannon McGahn**  
Chief Advocacy Officer

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



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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 CSEs 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®

**TREASURY RESPONSE, SUBMITTED BY SENATOR MENENDEZ**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 16, 2020

The Honorable French Hill  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Donna E. Shalala  
U.S. House of Representatives  
Washington, DC 20515

Mr. Bharat Ramamurti  
Commissioner  
Washington, DC 20515

The Honorable Pat Toomey  
United States Senate  
Washington, DC 20510

Dear Members of the Congressional Oversight Commission:

I write in response to your September 29, 2020 letter enclosing questions from the Congressional Oversight Commission and individual commissioners regarding the Municipal Liquidity Facility established under the Coronavirus Aid, Relief, and Economic Security Act.

The Department of the Treasury remains committed to working with the Commission to accommodate its interest in these and other issues. To this end, responses to the questions included with your September 29 letter are enclosed.

If you have further questions, please direct your staff to contact the Office of Legislative Affairs.

Sincerely,

A handwritten signature in blue ink that reads "Frederick W. Vaughan".

Frederick W. Vaughan  
Principal Deputy Assistant Secretary  
Office of Legislative Affairs

Enclosure

*Enclosure: Department of the Treasury Responses to Questions from the  
Congressional Oversight Commission Regarding the Municipal Liquidity Facility*

**Questions Submitted from the Congressional Oversight Commission**

**Question 1: What is the Treasury Department's role in establishing, designing, modifying, and operating the Municipal Liquidity Facility?**

*Response:* Secretary Mnuchin and Chair Powell agreed on the policy goals of the program in light of events in the municipal bond market and the broader economy. The terms and conditions of the Municipal Liquidity Facility were determined by joint discussions between the Board of Governors of the Federal Reserve System (Federal Reserve) and the Department of the Treasury.

The Federal Reserve performed the necessary financial, legal, and market analysis, developed proposed terms and conditions, created the program documentation and website, and operationalized the Municipal Liquidity Facility in accordance with Section 13(3) of the Federal Reserve Act and Regulation A. Treasury and Federal Reserve staff jointly reviewed events in the municipal bond market and the status of state and local government finances.

Treasury reviewed and approved the creation of the facility and all the term sheets and frequently asked questions prior to their release. Treasury also approved the use of funds appropriated to the Exchange Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, making a \$35 billion commitment to the special purpose vehicle (SPV) established by the Federal Reserve Bank of New York in connection with the Municipal Liquidity Facility.

**Question 2: Who is the point person at the Treasury Department responsible for matters involving the Municipal Liquidity Facility?**

*Response:* Secretary Mnuchin and Chair Powell had discussions multiple times weekly regarding each of the facilities created by the Federal Reserve using funds from Treasury under the CARES Act, including the Municipal Liquidity Facility. In connection with these regular discussions, the Secretary approved the Municipal Liquidity Facility and the Treasury funding and reviewed all term sheets and frequently asked questions, as well as economic and market analyses developed by the Federal Reserve.

**Questions Submitted from Commissioner Bharat Ramamurti and  
Congresswoman Donna E. Shalala**

**Question 1:** In particular, what role has the Treasury Department played with respect to determining each of the following? Please separately describe any involvement of the Treasury Department in proposing, revising, approving, rejecting, or otherwise weighing in on the following:

- a. The amount of the equity investment
- b. The original rates

- c. The revised rates
- d. The term length
- e. The types of notes eligible
- f. The limitations on uses of loan proceeds
- g. The facility's expiration date
- h. The original population thresholds
- i. The revised population thresholds
- j. The gubernatorial designation process
- k. The number of Revenue Bond Designations permitted each jurisdiction
- l. The credit rating thresholds
- m. The requirement that borrowers be rated by a National Statistical Ratings Organization
- n. The eligibility of issuer types other than U.S. states, cities, and counties
- o. The eligibility of Guam
- p. The eligibility of Puerto Rico
- q. The eligibility of other U.S. territories and possessions
- r. The eligibility of Indian Tribes
- s. Any other aspect of the rates, terms, or conditions

**Response:** Following discussions with the Federal Reserve on the Federal Reserve's analysis of the appropriate size of the Municipal Liquidity Facility, and based on the Federal Reserve's modeling of potential losses by the facility, the Federal Reserve and Treasury determined the percentage of equity from Treasury required to support the facility, and the Federal Reserve and Treasury worked to determine the appropriate size of the facility.

With respect to the original design and various terms of the Municipal Liquidity Facility, the Federal Reserve and Treasury came to agreement on the needs and policy goals of the program, based on municipal financing needs and the authorities under the CARES Act and the Federal Reserve Act. Federal Reserve economists, market analysts, and other staff conducted the necessary research and market outreach and developed the terms, conditions, structure, and operating model for the facility. Treasury reviewed and approved the terms and conditions of the Municipal Liquidity Facility consistent with the agreed-upon needs and policy goals.

Regarding the various revisions to the facility, the Federal Reserve and Treasury discussed feedback from the market and state and local governments on the facility, and the evolving conditions of the municipal bond market. The Federal Reserve conducted the additional research and analysis, developed amendments to the facility term sheet, and adjusted its operating model as informed by this additional information. Treasury reviewed the amendments in light of participant feedback and market conditions, as well as the original policy goals of the facility.

**Question 2: Has the Treasury Department rejected or declined to approve any proposals (whether formally denominated as proposals or not) from the Federal Reserve with respect to the items listed above (Question 2(a)-(s)) or that otherwise pertain to the Municipal Liquidity Facility? If so, please separately describe each such proposal and the Treasury Department's reasons for not approving it.**

*Response:* Treasury and the Federal Reserve engaged in extensive deliberations regarding the Municipal Liquidity Facility and worked together to reach agreement on the appropriate structure, terms, and conditions of the facility. Treasury did not decline any formal proposal.

**Question 3: As a legal matter, does the Treasury Department believe the current Municipal Liquidity Facility rates could be decreased, while still complying with the CARES Act, Section 13(3) of the Federal Reserve Act, and accompanying regulations?**

*Response:* Section 13(3) of the Federal Reserve Act grants statutory authority to the Federal Reserve to determine the rates charged on its lending facilities, with prior approval of the Secretary. On August 11, 2020, the Federal Reserve reduced the pricing methodology to determine the rates for borrowing from the Municipal Liquidity Facility.

**Question 4: As a policy matter, does the Treasury Department believe the rates should be decreased?**

*Response:* Treasury does not currently believe the rates should be decreased. The reduction of the facility's rates on August 11 enables the Municipal Liquidity Facility to continue to operate as a backstop in supporting market access by state and local governments.

**Question 5: As a legal matter, does the Treasury Department believe the term length for Municipal Liquidity Facility loans could be increased beyond three years, while still complying with the CARES Act, Section 13(3) of the Federal Reserve Act, and accompanying regulations?**

*Response:* Section 13(3) of the Federal Reserve Act grants statutory authority to the Federal Reserve to determine the term length under its lending facilities, with prior approval of the Secretary of the Treasury. The CARES Act does not impose term length restrictions on amounts borrowed under Section 13(3) lending programs.

**Question 6: As a policy matter, does the Treasury Department believe the term length should be increased?**

*Response:* Treasury does not currently believe the term length should be increased. The Federal Reserve and Treasury continue to monitor market stability and issuer market access.

**Question 7: Does the Treasury Department believe that cuts to state and local governments' spending would be a drag on the economic recovery?**

*Response:* Reduced overall spending by state and local governments could contribute to a short-term decline in GDP.

**Question 8: Does the Treasury Department believe the Municipal Liquidity Facility is a substitute for direct aid to state and local governments?**

*Response:* Federal funding, in the form of grants or direct aid, and Federal financing, in the form of loans including through the Municipal Liquidity Facility, are separate and distinct policy tools. One or the other may be employed, or they may be employed together, depending on the policy goals and the expected costs to the taxpayer.

**Question 9: Does the Treasury Department believe promoting employment is an objective of the Municipal Liquidity Facility?**

*Response:* As provided in section 4003 of the CARES Act, the purposes of the Municipal Liquidity Facility include “to provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus” and to “provid[e] liquidity to the financial system that supports lending to eligible businesses, States, or municipalities.”

**Question 10: Does the Treasury Department believe that the Municipal Liquidity Facility, as currently structured, accomplishes Subtitle A’s purpose “to provide liquidity to [States and municipalities] related to losses incurred as a result of coronavirus”?**

*Response:* Yes. The municipal market’s recovery since March and the Municipal Liquidity Facility’s continued operation serving as an effective backstop are accomplishing this purpose for issuers.

**Question 11: Does the Treasury Department believe that the Municipal Liquidity Facility should be extended beyond its current expiration date of December 31, 2020?**

*Response:* At this time, the Treasury Department does not believe that the Municipal Liquidity Facility should be extended beyond its current expiration date of December 31, 2020. The Federal Reserve and Treasury continue to monitor market stability and issuer market access in order to determine whether any changes to this expiration date would be warranted.

**Question 12: Given the minimal participation in the Municipal Liquidity Facility to date, does the Treasury Department believe that the population and designation restrictions for “Eligible Issuers” remain necessary? If so, why?**

*Response:* The 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. Treasury does not believe the facility requires a change to the definition of eligible issuers.

**Questions Submitted from Commissioner Bharat Ramamurti**

**Question 1: As a legal matter, does the Treasury Department believe the term length for Municipal Liquidity Facility loans could be increased to ten years, while still complying with the CARES Act, Section 13(3) of the Federal Reserve Act, and accompanying regulations?**

*Response:* Section 13(3) of the Federal Reserve Act grants statutory authority to the Federal Reserve to determine the term length under its lending facilities, with prior approval of the Secretary of the Treasury. The CARES Act does not impose term length restrictions on amounts borrowed under Section 13(3) lending programs.

**Question 2: Does the Treasury Department believe the Municipal Liquidity Facility has legal authority to sustain losses?**

*Response:* Congress appropriated funding to pay for losses in facilities established under Section 4003(b)(4) of the CARES Act, and the funds contributed by Treasury to the Municipal Liquidity Facility SPV under such authority are both legally and economically exposed to any potential losses that may be incurred by the program. Importantly, Section 13(3) of the Federal Reserve Act additionally requires that facility loans be secured “sufficient[ly] to protect taxpayers from losses,” and collateral be assigned a “lendable value” that is “consistent with sound risk management practices ... to ensure protection for the taxpayer.” The terms of the program have been designed to meet these statutory requirements as well.

**Question 3: Does the Treasury Department believe it would be acceptable for the Municipal Liquidity Facility to sustain losses?**

*Response:* As noted above, funds contributed by Treasury to the Municipal Liquidity Facility SPV are both legally and economically exposed to any potential losses that may be incurred by the facility. A range of potential outcomes is possible: while Treasury may not experience losses on its investment in the facility, in other cases Treasury could experience losses. While Treasury does not consider taxpayer losses a desirable policy outcome, the incurrence of losses would be acceptable.

**Question 4: What amount of losses, if any, is the Treasury Department willing to sustain?**

*Response:* Treasury committed \$35 billion as a backstop to the Municipal Liquidity Facility. Treasury does not currently anticipate any losses on this facility, but Treasury could experience a loss up to the amount of that backstop that is drawn by the facility’s SPV.

**Question Submitted from Senator Pat Toomey**

**Question 1: Given the municipal bond market’s significant recovery since March, does the Treasury Department believe it is still necessary for the Federal Government to intervene in the municipal bond market?**

*Response:* Treasury does not currently believe the Municipal Liquidity Facility should continue to serve as a backstop after its scheduled end date of December 31, 2020.

KTKR ARTICLE, SUBMITTED BY SENATOR WARNER

12/1/2020

We Care grant dollars help local businesses rebound from pandemic losses

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NEWS



# We Care grant dollars help local businesses rebound from pandemic losses



By: Anthony Sabella

Posted at 7:22 AM, Nov 25, 2020 and last updated 2:19 PM, Nov 25, 2020

NORFOLK, Va. - For five years, Dr. Anna Peoples has seen the difference she's made in Hunter's Square and the surrounding neighborhoods in Norfolk.

Working with the city, Peoples, a pharmacist, opened Peoples Pharmacy & Diabetic Clinic in an area that's minority-majority, low-income and traditionally underserved, she says, when it comes to health care.

Not only does the pharmacy, which is located on Church Street, offer traditional medicine, but its knowledge of holistic, natural therapies sets it apart.

A business that's woman and minority-owned, Peoples says she looks like a lot of the people who come into the pharmacy, but over the years, she's worked hard to gain the trust of all visitors.



12/1/2020

We Care grant dollars help local businesses rebound from pandemic losses

"I treat folks the way I want you to treat me. When you walk through that door I want you to receive the compassion and care that you deserve and that's exactly what we do," said Dr. Peoples.

It's that effort that made Peoples Pharmacy a perfect candidate for grant dollars from the We Care initiative.

Supported by Dominion Energy, We Care Rebuild Program was announced in September. \$600,000 to be split among small businesses in Hampton Roads and Richmond with a focus on women and minority-owned.

Urban League is leading the project with the help of organizations like Black BRAND.

"As much as we can do to stabilize and provide support to the small business community, it's really going to make all the difference in terms of the economy as a whole," Blair Durham with Black BRAND told News 3.

Peoples says she received \$10,000. Money that's helped her buy personal protection equipment and keep people on staff at a time when her business is needed more than ever.

"In the midst of COVID-19 when a lot of people are confused about the virus and things they can do to help themselves to make it through all this, Peoples Pharmacy is here to help," she said.

Just down the street at Church and 26th, [Senses Vegan](#) opened in the Culinary Lofts space in November of last year.

Owner Stephanie Linton had spent three years building a business specializing in vegan comfort food, one of the few vegan-only options in Hampton Roads, she says, only to have COVID-19 put it in jeopardy.

12/1/2020

We Care grant dollars help local businesses rebound from pandemic losses



Senses Vegan Comfort Food is located in Culinary Lofts at Church and 26th Streets in Norfolk.

The We Care grant dollars she received is also helping her stay staffed, supplied and, frankly, open.

"We've been able to add things like apps and updated websites and Grubhub so we can offer delivery to our customers," said Linton. "Not only has the grant been beneficial as far as funds, but it's also been beneficial with the resources it provides with accounting, bookkeeping and just educational opportunities for small businesses."

12/1/2020

We Care grant dollars help local businesses rebound from pandemic losses



Stephanie Linton's Senses specializes in vegan comfort food.

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We Care grant dollars help local businesses rebound from pandemic losses

Linton says recipes for vegan mac and cheese, even fried chicken recipes using wheat gluten seitan, have helped her gain a following.

Her goal is to use the grant to continue growing her business.

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