

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2022

WEDNESDAY, JUNE 23, 2021

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2 p.m., in room SR-138, Dirksen Senate Office Building, Hon. Chris Van Hollen (Chairman) presiding.
Present: Senators Van Hollen, Leahy, Coons, Hyde-Smith, Moran, and Kennedy.

DEPARTMENT OF THE TREASURY

OPENING STATEMENT OF SENATOR CHRIS VAN HOLLEN

Senator VAN HOLLEN. Welcome Madam Secretary; and everybody joining us. The subcommittee hearing will come to order.

And I want to begin by welcoming Ranking Member Hyde-Smith; and our colleagues on the Senate Appropriations Subcommittee on Financial Services and General Government.

Madam Secretary, welcome. Thank you for joining us to testify on the fiscal year 2022 Department of Treasury budget. And I would also like to acknowledge now some of the members of our second panel for today's hearing, who are joining us to discuss: The Community Development Financial Institutions Program.

They are deputy assistant secretary, Noel Poyo, from the Department of Treasury; Mr. Joseph Haskins, the chairman of Harbor Bank in Baltimore; and Mr. Andy Anderson, president of the Bank of Anguilla, in Anguilla, Mississippi.

It was welcome news, Madam Secretary, to see that this year's budget request proposes an increase in funding for the CDFI Program, and not the elimination of the program that we saw in budgets from the previous administration. Since its inception, the Department of Treasury has played a central role in maintaining a strong economy, spurring economic growth and promoting opportunity in the United States.

That mission has been essential to our Nation's financial health, as we work urgently to build back better and stronger from the economic damage of COVID 19. Under the leadership of Secretary Yellen, the Department of Treasury has been charged, not only with providing historic relief in close coordination with Congress, but also supporting a dynamic economy that harnesses the potential of each and every American.

This work is far from simple and requires our full effort and attention but, thankfully, the Department has moved full steam ahead to help those hardest hit, jumpstart our recovery, and pave the way to a fairer economy. We are already seeing proof of that fact. In particular, I would like to salute you, Madam Secretary, for helping to ensure a quick and efficient rollout of the expanded child tax credit benefits that were secured in the American Rescue Plan.

Under that plan eligible families will now receive \$3,600 for each child under 6 years old, and \$3,000 for each child between the ages of 6 and 17. And starting in mid-July, families will start receiving their expanded child tax credit in monthly payments of up to \$300 per child. It is estimated that this move will cut child poverty in half this year. And I hope we can work together to extend that credit beyond 2021, as proposed in President Biden's budget.

Madam Secretary, I also want to commend you on the success in moving toward a global minimum tax rate for corporations to help stop the current race to the bottom that we are seeing between nations as many seek the shelter of tax havens. Congratulations on reports of today's news of the G20, and we will be following up with some questions on that front. It is really important that our major multinational corporations pay their fair share of taxes, and your work has moved us closer to that point.

The fiscal year 2022 budget proposes an appropriation for the Treasury Department of almost \$15 billion, an increase of \$1.4 billion over last fiscal year. There is no question that the Treasury has been asked to play a large role in addressing the pandemic, and making sure that the United States economy recovers, and to achieve these goals, they have asked us for additional funding for departmental offices, so everyone at the Treasury can do their job.

There is no doubt that we have asked your Department to do a lot more over the last year-and-a-half. Within that total, you have requested \$13.2 billion for the IRS, an increase of \$1.2 billion. Your budget also request \$80 billion over 10 years in additional funding for the IRS, split between mandatory funds and a discretionary cap adjustment for tax enforcement activities, which would be \$417 million for fiscal year 2022.

This subcommittee heard from the IRS Commissioner on many of these issues. He laid out a very solid case for providing these funds to close the tax gap, somewhere between \$500 billion to \$1 trillion in each—taxes that are owed mostly by very wealthy individuals, but not paid. And the additional information can go to address badly needed services to provide all Americans, through the IRS, with respect to the Department—with the IRS functions.

Before I end, Madam Secretary, I would just like to commend you and your staff on your responsiveness to our questions, and grateful for the assistance your team has provided as we prepared for this hearing.

With that, let me end where I began, by thanking all of you for coming today to share your perspectives. And now I want to turn it over to Ranking Member, Senator Hyde-Smith for her opening statement.

OPENING STATEMENT OF SENATOR CINDY HYDE-SMITH

Senator HYDE-SMITH. Thank you, Mr. Chairman. And I welcome you, Secretary Yellen, to our hearing today, and I look forward to your testimony this afternoon, and the testimony of our second panel as well. I am very pleased to have a Mississippian with me today, a friend, Mr. Andy Anderson of the Bank of Anguilla in Mississippi; and Mr. Joseph Haskins from The Harbor Bank of Maryland; and Mr. Poyo, deputy assistant secretary at the Treasury.

Thanks for being part of this, and thank you for your willingness to serve and doing all you do. And we are here today to examine the Treasury's Department budget request for fiscal year 2022. Treasury's offices execute multi functions, important functions that promote economic growth, and combat illicit finance, administer the internal revenue code, and operate the Federal Government's collection systems, and deposit system.

Secretary Yellen, in addition to the traditional responsibilities, you really have a full plate. You have also are going to execute emergency response programs for a variety of industries and businesses. And since the beginning of the pandemic, the Treasury Department has been at the forefront of all of these relief programs. But unfortunately under the Biden administration, we have seen government programs that were intended to be targeted and temporary during the pandemic become permanent.

And we are also seeing some spending levels warranted only in times of crisis become common. As these health threats of the pandemic recede, the Biden administration continues to press ahead with even greater spending and higher taxes, which is a concern for me and many Americans, concerning the budget. But the first time in American history a president submitted a budget to Congress that proposes annual deficits exceeding \$1 trillion deficits in every single year of the next decade.

In fiscal year 2019, the Federal Government spent \$4.4 trillion, which is still a truly remarkable sum. Now the Biden administration proposes to be spending more than \$6 trillion next year, and in every fiscal year thereafter. As a result, the Biden budget would add \$15 trillion to the national debt, over the last 10 years.

And 10 years ago I remember being really concerned about the debt levels, and now in 2011, that just doesn't seem that long ago that, you know, just recently this has been occurring, and I think about the timeframes and timelines when Prince William married Kate Middleton that year in the so-called "wedding of the century", just wasn't that long ago. But in 2011, the U.S. debt stood at \$14 trillion total, in 2011. And in 2031, 10 years from now, the national debt will rise to \$39 trillion under the Biden administration's spending plan. Let me say that again, \$39 trillion, from \$14 trillion to \$39 trillion in 10 years.

So I look forward to hearing from you, but these are certainly the concerns that I have for the Department and your funding request.

Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator.

We have been joined by Senator Kennedy as well. Welcome.

And Madam Secretary, let me turn it over to you for your opening statement.

STATEMENT OF HON. JANET YELLEN, SECRETARY OF THE TREASURY

Secretary YELLEN. Thank you. Chairman Van Hollen, Ranking Member Hyde-Smith, thank you for inviting me to join you today, I look forward to your questions.

But first I want to briefly discuss the state of our economy and the state of the Treasury Department, because I believe one depends on the other. When I took office back in January, the most urgent problem confronting our economy was obviously the pandemic, helping people make it to the other side of the crisis, and ensuring they were met there by a robust recovery.

Thanks to this Congress and its passage of the American Rescue Plan, I believe we are well on our way toward that goal. However, the ARP and its predecessor legislation are not self-executing. As you know, in order for relief dollars to effectively reach their intended targets, we have to stand up and manage new Federal programs.

Treasury has been tasked with much of this work and we are proud to do it, but our challenge is that while our portfolio has grown to match the urgency of this moment, our annual budget has not grown in tandem, and the funding provided to administer new programs is temporary. Not accounting for inflation, our annual budget is still at the same enacted level as in 2010, and critical policy offices like domestic finance, economic policy, and tax policy have seen their budgets cut by as much as 20 percent since 2016.

The mismatch is very stark, when you take a moment to scan the new bodies of work we have undertaken. Treasury has built a \$350 billion program to help State, local, and Tribal governments start operating normally again. The CERTS program will provide \$2 billion to bus and ferry companies. There are two separate multi-billion-dollar programs to help people pay their rent and mortgages. And of course, Treasury administers economic impact payments. The IRS entered the pandemic as an agency that processes tax filings and returns once a year, and managed to marshal its forces to disperse more than 460 million payments totaling approximately \$800 billion across three separate tranches.

Now the IRS is preparing to make monthly payments of the expanded child tax credit to families of more than 88 percent of American children. Our team has done valiant work implementing these programs with the resources at our disposal. But we cannot continue to be good stewards of this recovery, and tackle the new bodies of work that Congress assigns to us in the years beyond, with a budget that was designed for 2010.

Our Administration has released its formal budget, and there are several critical areas where funding is needed. For instance, the Financial Crimes and Enforcement Network, FinCEN, is tasked with building a massive database that collects and secures beneficial ownership information, but Congress has not yet provided any funding to do it.

Then there are the Community Development Financial Institutions. Congress has dramatically expanded funding for CDFIs with supplemental appropriations, and rightly so. These institutions are very effective at injecting capital into areas the financial sector has not traditionally served well. However, it is challenging for the

CDFI Fund to distribute greater resources and scale these programs without additional administrative funding.

The IRS is in need of additional resources, too. Over the next 10 years, the American people could see roughly \$7 trillion dollars fall through the cracks of our tax system. Why? Because many of the country's wealthiest taxpayers do not pay their full tax bill, and the IRS is not nearly staffed up enough to ensure compliance.

Today, the IRS has fewer auditors than at any time since World War II. Our proposal would give the IRS the funding it needs. For fiscal year 2022, it includes \$13.2 billion from discretionary appropriations, plus \$417 million for the first year of a program integrity allocation adjustment as part of the multi-year American Families Plan.

Let me just say one final word about the IRS: Many of you have expressed concern about the recent ProPublica report. I am deeply troubled by it as well. And it is important to stress that an unauthorized disclosure of taxpayer information is a crime, and that it has been referred to the FBI, Federal prosecutors, and Treasury Department oversight authorities.

We don't yet know what occurred, but all is being done to get to the bottom of this criminal activity. And we will be sure to update you as we learn more.

With that, I am happy to take your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. JANET L. YELLEN

Chairman Van Hollen, Ranking Member Hyde-Smith, thank you for inviting me to join you today. I look forward to your questions, but first, I want to briefly discuss the state of our economy and the state of the Treasury Department. Because I believe one depends on the other.

When I took office back in January, the most urgent problem confronting our economy was obviously the pandemic: helping people make it to the other side of the crisis and ensuring they were met there by a robust recovery. Thanks to this Congress—and its passage of the American Rescue Plan—I believe we are well on our way toward that goal.

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- There are two separate multi-billion-dollar programs to help people pay their rent and mortgages.
- And of course, Treasury administers economic impact payments. The IRS entered the pandemic as an agency that processes tax filings and returns once a year—and managed to marshal its forces to disburse more than 460 million payments totaling approximately \$800 billion across three separate tranches.
- Now, the IRS is preparing to make monthly payments of the expanded child tax credit to families of more than 88 percent of American children.

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Senator VAN HOLLEN. Thank you, Madam Secretary. And I am pleased we have been joined by Senator Coons as well. And we will have 7-minute questioning periods for our subcommittee Members.

Madam Secretary, one of the key planks, the central planks of the American Jobs Plan is to ensure that big multinational corporations pay their fair share of taxes, and that we stop giving companies perverse tax incentives to ship jobs and equipment overseas.

You have talked about ending the global race to the bottom where countries cut corporate taxes to keep up with each other, and that the only winners are those multinational corporations and their stockholders, not the people in the countries in which they do business.

I referenced that in my opening statement, today's report from Reuters, about the G20, to endorse the deal on global minimum corporate tax. Could you elaborate on why this is really important to American workers, and American jobs and wages that we move forward with this proposal?

Secretary YELLEN. Thank you for that question. So we are hoping to gain endorsement, at the G20 for the core pieces of our international tax proposal. Most importantly, we are trying to get a very large number of countries through an OECD process, almost 140 countries are participating in that, and we are trying to gain agreement that all countries will establish a minimum tax that their corporations must pay, wherever they operate in the world.

At the G7 in London week before last, the G7 supported the idea that this global minimum tax should be set at least at 15 percent. And we are working toward an agreement, a similar agreement at the G20. Now I think this is really important because what has happened globally is that labor is a factor of production that is not

mobile. Most people continue to live where they were born in their native countries.

But capital is highly mobile, and it can move from one place to another in response to tax differentials and other, other discrepancies. And that has triggered, over decades now, what we refer to is a race to the bottom. Countries try to attract business to their shores by setting lower tax rates than their neighbors. And then our corporations feel if we have higher taxes that they are not competitive, and we see them offshoring activity, real activity, and also profits activity, and tax havens particularly benefit from that.

And as countries try to out-compete one another, in terms of cutting their corporate tax rates to attract business to their shores, we see a race to the bottom in corporate taxation. And this is really a global problem. And we think that the only way to solve this problem is to try to get an agreement among almost all countries and certainly among the G20 countries that we will stop doing this. That we will agree that tax—our tax rates will be set at a level, and we are negotiating on what the rate is, but we are looking for agreement at least 15 percent.

You know, I think corporations contribute corporate tax revenue to the Federal coffers amounting to only around 1 percent of GDP. Now, that is less than before the tax law was passed in 2017, and it is less than in most of our neighbors. And to raise revenue for the important programs that we truly need, investment in public infrastructure, investment in R&D, investment in our people to make our companies truly competitive and to make our workers and people who live and grow up in this economy, able to compete, we need tax revenue to support those programs.

So we are very hopeful that this initiative will enable companies, globally, to compete on the things that should really matter, the quality of their ideas, and the skills of their people.

Senator VAN HOLLEN. Thank you, Madam Secretary. Of course, the corporations here in the United States benefit from an educated workforce, a well-trained workforce, and that does require investments.

With my remaining time, Reuters published an analysis yesterday, finding that U.S. corporations currently pay significantly less than their foreign competitors today, and that this would remain the case even if the full Biden tax plan was enacted. In fact, they found that U.S. corporations currently pay an effective tax rate of 16 percent compared to 24 percent for their foreign competitors. And that if the Biden plan was enacted, those U.S. corporations would pay an effective rate that is 5 points higher, or about 21 percent.

Does that analysis, line up with your Treasury Department analysis? And what does that say with respect to some of the concerns that have been raised about the Biden tax plan?

Secretary YELLEN. So I have read the Reuters article, I have not had a chance to review the analysis carefully, but it is in line with our own thinking. I can tell you that at this level of statutory rates, as well, the United States' corporate rate, including Federal and State, is below the G7 average, and if we were to raise it in line with the President's proposals, it would remain in the middle of the pack.

Senator VAN HOLLEN. Thank you, Madame Secretary.

Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you, Mr. Chairman.

Madam Secretary, you have already referenced the article that was in *ProPublica*, a leaning—a left-leaning media outlet that has published a series of articles that disclose some very confidential information in very significant detail. But these unauthorized disclosures occurred amid renewed calls that significantly increased taxes, and expand the funding and responsibilities of the IRS.

The same agency that pursued a vendetta against conservative groups during the Obama administration, and since you have referenced that, can you tell me what the Department is doing to prevent further unauthorized disclosures?

Secretary YELLEN. Well, there are very important safeguards, many of them in place to protect taxpayer privacy. And this is an extremely important priority, and one that we at Treasury care deeply about. Part of the money that we are asking to be allocated to the IRS would better enable it to modernize its IT systems, and put in place investments that would better enable it to protect against threats to the security of the tax system.

So I do think we need to modernize the technology that the IRS has. A striking statistic I can share with you is that the IRS faces 1.4 billion cyber attacks each year, and they are running the tax system on technological infrastructure that dates back to the 1960s. So it is a priority for Treasury. It is a priority for the IRS. We will keep it absolutely top priority to protect private information, but we also need to beef up the resources of the IRS to enable it to enhance its defenses.

Senator HYDE-SMITH. And in addition to the private taxpayer data that was leaked, a separate Treasury employee was sentenced to prison earlier this month, following her conviction for unlawfully disclosing suspicious activity reports, and other sensitive information, and your budget calls for new reporting requirements to the IRS for inflows and outflows for businesses, as well as personal accounts. How are Americans to trust the security of the Treasury Department data when private information is shared publicly again and again?

Secretary YELLEN. Well, again, I agree that protection of private information is critically important, and we must take every step to ensure that it is protected. The IRS obtains billions of reports every year on W-2 forms, and 1099s, and other information that is provided to the IRS to enable them to check returns, to make sure that income is being reported accurately.

I can tell you that studies by the IRS show that, for example, wage and salary income that is reported to them on W-2s is almost completely 98 percent, 99 percent reported faithfully on tax returns. That \$7 trillion over the next decade tax gap that I have cited, largely reflects individuals or corporations where sources of income are not reported on a regular basis to the IRS.

And that is why adding to the information flow is really critical at trying to reduce the size of that gap. And the proposal that, the President has put forth in the American Families Plan, it is really only calling for two additional pieces of information that would be added to the Form 1099-INT on which financial institutions rou-

tinely provide the IRS with an annual report of interest paid on accounts.

And the two pieces of information would be the aggregate inflows into the account during the year, and the aggregate outflows. And those would not be detailed transaction level information. This would be directly communicated along with other routine information to the IRS, and it would better help the IRS tax audit crew, target their resources in deciding where audits are in order. So, of course, every step would be taken to protect that information.

Senator HYDE-SMITH. Okay. And referring to the trillions of dollars, Congress has appropriated nearly \$6 trillion in emergency spending during this pandemic. And there are some calls in Congress for an additional \$6 trillion in “infrastructure” spending that seems to include everything under the sun. And these are mounts are in addition to the regular discretionary and mandatory spending levels each year. But consumer prices rose by 5 percent last year, the largest increase since 2008. And according to a survey conducted by the Federal Reserve Bank of New York, consumer expectations, are that inflation will be 4 percent over the next year.

These trends are vastly different than your budget’s assumption of inflation reaching only 2 percent. And you have called these trends transitory and the result of the economy reopening after the pandemic. Do you still believe this? And what data points would cause you to change your mind on these trends only being temporary?

Secretary YELLEN. Well, I do continue to believe that I think that for 2021 inflation will come out at a high rate, as you mentioned, but remember that in the previous years, inflation was exceptionally low. And part of what is going on is that prices that fell dramatically, when the pandemic hit the economy, airfares, hotel, room rates and the like, now that the economy is opening back up again, some of those prices are reverting toward more normal levels.

So we do have a bunch of supply bottlenecks. It is a bumpy path to reopening, but the economy is growing successfully, and creating jobs, and I believe that after the year is over inflation rates will go back to normal. Most measures of inflation expectations remain low, and well contained and most professional forecasters and the signals we get from markets about inflation expectations that are—we can read from inflation compensation in the treasury market suggests that beyond this brief period of, say, a year in which inflation is high, that inflation expectations going further out are very stable in the neighborhood of 2 percent, and that inflation will revert to those levels.

Senator HYDE-SMITH. Okay. I would like to thank you for your time. Thank you.

Senator VAN HOLLEN. Thank you, Madam Secretary.

Please, we are joined by the Chairman of the Full Committee. And I recognize Senator Leahy.

Chairman LEAHY. Thank you very much. Secretary Yellen, it is awfully good to see you, and thank you for being here. What is the saying about, may you live in interesting times. You have done that both at the Federal Reserve, and now. I am delighted you are there. I know that the Treasury Department over the past year has

had to undertake all kinds of initiatives to administer the funding as directed by Congress through the CARES Act, the historic American Recovery Act, and so on.

But let me go me go into that a little bit. The American Recovery Plan provided \$350 billion to support State, local, Tribal, and territorial governments to deal with the consequences of COVID. It was specifically allocated money to States and territories, separately to counties, cities, and towns. Now, some of the States, of course, do not have a county government, like my own State of Vermont. In those cases, the law states, pretty clearly, the money be provided directly to the States, then passed from the State onto the local municipalities based on population.

In most of the country, that is happening, but the Treasury Department has somehow chosen to rely on a definition from the Census Bureau to define what constitutes a county government—a definition that was not specified in the law. I remember when the law was written, and it was not specified there. It gives a totally strange conclusion in our State.

Counties in Vermont are not generally units of government. We have 14 counties; the only county officials in Vermont are part-time side judges. I think they get paid a certain amount per day. They run our county courts, but even that is a minimal thing to make sure the lights get turned on, and the doors get opened. No other services.

All our health, education and government services are provided by local municipalities. Yet, under the Treasury's arbitrary decision to apply the Census Bureau's definition, these side judges who might, throughout the whole State, normally handle a few thousand dollars, are now going to be required to administer over \$121 million of COVID relief dollars. They are kind of like: What do we do with this? Or just say: You know, we have no way of administering this. We will give it back to the Treasury.

Well that is not what the law intended. It was supposed to go to the States and municipalities. Now, your Department has been speaking with my staff, and with the others in the Vermont delegation. I just want to know when will the Treasury Department administer the law—as we specifically wrote it, and intended it—and release the money to the State of Vermont?

Secretary YELLEN. So Senator, I certainly understand your concern and, you know, our staff has done its best to administer the funds in line with its understanding of the law. The country is complicated, counties in different States have different kinds of governmental responsibilities and they try to make those distinctions.

But we want to work with you to find a path forward and to resolve the concerns that you have. And I—you know, you have pointed out that there are distinguishing factors with respect to how Vermont counties operate relative to counties in many other States across the country. You know, if you will work—have your office work with our staff, we will try to find a—

Chairman LEAHY. We are doing that now. I thought the law was pretty clearly written. If you don't have a county government as such, I mean if you have got a county government where two people arrange to have the snow plowed around the courthouse and

they suddenly got 10- \$15 million. They are like, even in our best year we don't get that much snow.

I think it is written in such a way, the law—read it, as I read it—is written the money goes to the States, and the States can then distribute it to the municipalities. We do have municipalities, of course, we do have everything from police forces to normal town, city government, and they could use the money. So we are working with your staff, but please tell them to go back and read, read the law. I think it is pretty clear on the face.

Secretary YELLEN. I think part of the issue was: Do the counties have governmental responsibilities, and it sounds like in Vermont, they have some, but they are exceptionally limited.

Chairman LEAHY. It is like, turn the lights on in the courthouse. If it is a county with a county court.

Secretary YELLEN. So my staff understand that this is a significant concern and we will work closely with you to try to find a resolution.

Chairman LEAHY. Well, I would also point out another thing. In rural States the IRS is one of the only elements of the Federal Government that taxpayers interact with annually. Now, if you don't have Internet service, or they rely on phone or in person, it is a problem because the IRS is nearly impossible to reach by phone or in person, they are getting less and less centers.

I live 6 miles outside of our State capital, I pay premium amount for my Internet service and there have been days that it has worked. We usually mark it down the calendar as a very special day. We celebrate those. I think I paid for it for a year, and I can count on at least a week or two out of the year.

But the point is, I don't have to worry. I go to my office at Montpelier or Burlington or home down here. I have got things I have to go back and forth. I can do it. But in many rural areas, in States that we all represent, that is not the case. So, take a look at this because we can joke about it, but it is a real problem in rural America.

Secretary YELLEN. And the funds can be used for broadband and the Rescue Plan contained other funds and programs also that can be used for broadband.

Chairman LEAHY. But again, I am delighted to see you here, and I offer you congratulations.

Secretary YELLEN. Thank you.

Chairman LEAHY. Or condolences, whichever they might be.

Secretary YELLEN. Thank you very much, Senator Leahy.

Senator VAN HOLLEN. Thank you, Senator.

Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman.

Madam Secretary, thank you for being here. According to the Department of Labor, I believe inflation was—annualized was 5 percent in May. I know you are not clairvoyant, but you are experienced. Where do you think inflation will be at the end of this year?

Secretary YELLEN. Well, let me go to 2022.

Senator KENNEDY. No, if you could go to the end of 2021 first for me.

Secretary YELLEN. So I believe that my expectation, although there is a lot of uncertainty, is that the monthly data, the data that

would pertain to what happened in a given month, that those numbers will come down, but——

Senator KENNEDY. But by the end of this year, do you expect the inflation to be more than 5 percent or less?

Secretary YELLEN. I believe that the monthly numbers are likely to generate annual inflation rates. If you take the monthly number and ask what would inflation be if it continued at that pace for a year, I believe that will come down toward 2 percent, but typically inflation rates——

Senator KENNEDY. Madam Secretary, I am sorry to interrupt you, but my question was pretty simple. Right now in May, on an annualized basis, we both know what that means, inflation was 5 percent. I know you are not clairvoyant, but where do you think it will be at the end of this year?

Secretary YELLEN. So most, the type of inflation number you are talking about compares to the level of prices this month with what they were a year prior.

Senator KENNEDY. That is correct.

Secretary YELLEN. And that is different than what happened over the span of the month.

Senator KENNEDY. I understand that, but I am asking you——

Secretary YELLEN. But by the end inflation——

Senator KENNEDY [continuing]. Based on a year ago, this is not a complicated question. I am not trying to be rude, but this is not a complicated question. We are at 5 percent now based on where it was a year ago. So now we know what we are both talking about.

Secretary YELLEN. For the rest of this——

Senator KENNEDY. Will it be higher at the end of this year, or will it be less?

Secretary YELLEN. Twelve month—I believe it will come down.

Senator KENNEDY. Do you think it will be less by the end of this year.

Secretary YELLEN. Than 5 percent. Yes.

Senator KENNEDY. Okay. What makes you think that?

Secretary YELLEN. Because I believe that as the economy is opening up again, prices that fell enormously at the beginning of the pandemic are returning now back toward normal levels. And so what we are seeing in these year-over-year comparisons is of prices which are now reasonably normal, or in many cases at levels that are still somewhat below normal, we are comparing those levels with highly depressed prices——

Senator KENNEDY. I understand that.

Secretary YELLEN [continuing]. The year before.

Senator KENNEDY. I understand that.

Secretary YELLEN. And that will——

Senator KENNEDY. I have got a limited amount of time, Madam Secretary. If you are thinking 5 percent inflation in May, and you think it will be less at the end of the year.

Secretary YELLEN. Yes.

Senator KENNEDY. Then why did the Federal Reserve announce that it was going to—thought they were going to have to move their interest rate increases sooner and faster than what they had originally expected?

Secretary YELLEN. Well, I don't really want to comment on the Fed, but I would simply say that is not an announcement that they made.

Senator KENNEDY. Well, the market sure reacted; sounds like the Federal Reserve is worried about inflation.

Secretary YELLEN. I would just refer you to the comments that Chair Powell made in testifying yesterday, and at his press conference.

Senator KENNEDY. But I am talking about the action the Federal Reserve took. The Federal Reserve met recently, and they said: Look, we know we told you this, but things have changed. And we are now telling you that we are likely to have to raise rates sooner and faster—

Secretary YELLEN. And—

Senator KENNEDY [continuing]. Let me just finish—than we originally told you. Why do you think they did that?

Secretary YELLEN. That is the—

Senator KENNEDY. Because they are concerned about inflation, aren't they?

Secretary YELLEN. That is not what they did. Several individuals—

Senator KENNEDY. Sure it is.

Secretary YELLEN [continuing]. Several individuals wrote down in their own individual forecasts, which were published, that they saw it appropriate to raise rates sooner than previously.

Senator KENNEDY. Why then did the Federal Reserve last week raise the interest rate on excess reserves?

Secretary YELLEN. That is a technical adjustment that they made because the Federal funds rate had fallen to the very bottom of their target range. And it was a purely technical adjustment. Look, it is not appropriate for me to discuss Fed policy, or I don't want to comment on—

Senator KENNEDY. With no disrespect, but it is. It is. I am not asking you to make Fed policy. I am asking your opinion. And usually when the Federal Reserve raises interest rates on excess reserves, they are trying to contract money supply.

Secretary YELLEN. No. It is—

Senator KENNEDY. And the reason they are trying to contract money supply is because they are worried about inflation.

Secretary YELLEN. It is a purely technical adjustment. They made clear in that the stance of monetary policy has not changed at all, but because short-term, overnight rates were drifting to the very bottom of their target range, they made small adjustments to the policy rates—

Senator KENNEDY. Okay. Let me—I will stop because I have only got a minute left. Here is my worry, Madam Secretary. And I hate to have to interrupt you, but we only have so much time. I know your job is to put the best face on it, and I understand the Federal Reserve's job is to put the best face on it. But inflation at 5 percent annualized gets my attention.

When the Federal Reserve says, or even certain Members, they say: nothing to worry about here, nothing to see, but by the way, we are probably going to have to raise interest rates sooner and faster than we thought. And when I see them raise the interest

rate on excess reserves, to get money out of the money supply; that tells me they are worried about inflation.

And here is my question. Nobody is clairvoyant. A lot of these experts that you talked about never called the recession in 2008, 2009, and a lot of these were experts at the Reserve—at the Federal Reserve, what if they are wrong?

And the President has been adamant that he is not going to raise taxes on middle-class Americans. He is allowing that to happen right now, because inflation prices are rising higher than wages, and 5 percent inflation is a tax, it is a tax on food, it is a tax on energy, and it is a tax on everything. And we can say it is temporary, but the actions of the Fed indicate to me, they don't think it is temporary. Your thoughts?

Senator VAN HOLLEN. Madam Secretary. I am going to have to leave it at that, Senator. We will have another round, but—

Senator KENNEDY. Well, others went over, Mr. Chairman.

Senator VAN HOLLEN. But Senator—

Senator KENNEDY. Others went over.

Senator VAN HOLLEN. Actually they went over about the same time. But let me call him on—

Senator KENNEDY. Well, can I get an answer?

Senator VAN HOLLEN [continuing]. On the next—we will have another round, because I am just trying to keep everything within the fair range here. I understand that Senator Coons has been very patient, has been understanding. Let Senator Moran have a short statement, and then we will go to Senator Coons.

Senator MORAN. Chairman, thank you. And Senator Coons, thank you for allowing me 30 seconds. I hope that is not a terrible burden on your schedule. Thank you.

Madam Secretary, you and I visited, I questioned you in the Banking Committee in March, and I just wanted to be here today. I have two other hearings that are ongoing at the same time, but I wanted to be here to thank you for making clear in Treasury's, updated frequently-asked-questions. It was just released today, that the Coronavirus State and local fiscal recovery funds may be used, may be used for grants to small businesses, to nonprofits, to cover utility costs.

This will alleviate a lot of consternation across Kansas and Midwestern States impacted by a February cold snap and elevated natural gas prices in the midst of dealing with the economic impacts of the pandemic. So thank you for making that clear. And I assume that I am telling the story as it is, as true.

Secretary YELLEN. I believe so. Thank you.

Senator MORAN. Yes ma'am.

Senator VAN HOLLEN. Thank you, Senator.

Senator Coons.

Senator COONS. Well, thank you, Chairman Van Hollen, Ranking Member Hyde-Smith. Senator Moran is going back to serve as the Ranking on the CJS subcommittee hearing that I, too, I am supposed to go back to. I am very much looking forward to the second panel.

Appreciate Secretary Yellen's testimony and leadership; and Chairman Van Hollen, good to see you leading this subcommittee

so ably; and to see the team that supports and makes possible the work of FSGG.

Madam Secretary, if I might, you and five other former Treasury secretaries have noted year-after-year, Congress-after-Congress, that the IRS lacks the resources to effectively and fully enforce tax payment. In fact, you made the somewhat striking and memorable assertion that the IRS at this point has the fewest auditors since the Second World War, and the tax gap is estimated as somewhere between \$600 billion and a trillion a year, and it is something that is the topic of active negotiation right now, in terms of how to pay for a bipartisan infrastructure bill.

How would the IRS ensure that new auditors, new enforcement efforts are focused on high net worth individuals, individuals with complex financial situations, and international, and multinational corporations, which are more difficult to audit, as opposed to lower-income people whose returns are more simple to audit?

Secretary YELLEN. Well, the purpose of the mandatory funding that the President has requested for the IRS, he has requested \$80 billion over a decade, is really supposed to be a long run, program allotment that would enable IRS to hire, train auditors who have the skills and a long-term perspective to be able to focus on high-net-worth individuals, high-income individuals, and partnerships and complex arrangements in corporations. That is where the tax gap is.

Senator COONS. Right.

Secretary YELLEN. And the purpose of that funding would be to improve compliance in those groups where underreporting is highest.

Senator COONS. And what is your rough estimate at this point of the multiplier for dollars spent on additional enforcement dollars received in terms of additional compliance?

Secretary YELLEN. I believe we estimate that the \$80 billion appropriation would generate around \$240 billion over 10 years. The long-run payoff is, I think it is estimated by the IRS to be close to five to one. And I want to emphasize, you know, it takes a long time—

Senator COONS. Right.

Secretary YELLEN [continuing]. Both to build up the resources.

Senator COONS. Understood.

Secretary YELLEN. And these complex cases take many years, and so there are enormous gains beyond the 10-year horizon, as well, that you would see in the budget. So I believe the IRS estimates are something like five to one in terms of income collected per dollar spent.

Senator COONS. Madam Secretary, for the years that I served on FSGG, I have also paid close attention to the most frequent complaints from Delawareans who often reach out to my constituent services folks to say that they are having difficulty getting someone on the phone, getting their tax returns and refunds processed, more recently getting the economic impact payments. I am assuming that an increased budget for IRS taxpayer services will directly benefit and impact that. And I would love to hear your thoughts on that.

But first, I am going to go to a more complex subject for a minute, since we may have a return of another Member who wants to question. I am very interested in how you see carbon border adjustments working out, both competitively for the United States and in terms of its impact. I am someone who is introduced to a number of bills, one bipartisan, more recently ones that are just Democrats that would place a price on carbon, and I am convinced that that has the single greatest leverage in terms of achieving progress on climate change.

I am the co-chair of the bipartisan Climate Solutions Caucus, and we have debated and discussed this with many leaders, from the private sector, from financial services, different advocates and organizations. And I think that there is a moment here where, as discussed at the G7, the EU is on the verge of implementing a border carbon adjustment, and there is the possibility that the United States, without imposing a fee on carbon, could simply deem the social cost of carbon and of other greenhouse gases at a certain amount, and begin to implement that in order to avoid other countries imposing a carbon tariff against our exports and making us less competitive.

How do you see that playing forward? What do you think are the models for the actual cost of greenhouse gases sufficiently detailed for us to be able to implement something like this? And how is the administration thinking about border carbon adjustments in ways that would keep American industries and services competitive globally?

Secretary YELLEN. So I think we are just beginning to get a handle on this question. There is a lot of work to do to think this through. I mean, as you know, the President has proposed an ambitious and comprehensive agenda to try to reduce U.S. greenhouse gas emissions, and he has made our nationally-determined contribution——

Senator COONS. Right.

Secretary YELLEN [continuing]. Is an ambitious one. And, you know, he has proposed to do that through a whole variety of different carrots and sticks. Remove existing subsidies for fossil fuels, tax credits for renewables and for electric vehicles. He hasn't taken the approach that some countries have of simply having one system with a single carbon price.

Senator COONS. Right.

Secretary YELLEN. But I think that if we do make the progress that we hope for that the areas that are covered will be covered, say by EU carbon border adjustment, that we will also be producing those goods in a manner that is environmentally friendly. And if we are able to do that, my own view would be that we should not be subject to, say, the EU's carbon adjustment price.

Senator COONS. Right. So if I hear you right to summarize, in a larger sense, if the Biden administration's plan and agenda is fully implemented, we ought to be able to go to our Canadian neighbors, to our EU trading partners and say, we shouldn't be subject to this border adjustment tax, because we are making robust progress towards our national goals. Let me just close, and I would love to hear more from you about this.

Secretary YELLEN. Certainly.

Senator COONS. I was talking to “Jay” Powell about this yesterday, and the research that is being done within the Federal Reserve System, because there is a lot of research to be done for this to be better understood. I just want to thank you for what I think is an appropriately robust request for funding for the GEF and the Green Climate Fund, a modest but necessary request for \$15 million to continue to implement the Tropical Forest and Coral Reef Conservation Act. I am working with Senator Portman on reauthorizing it.

And I will just simply note for the record that my constituents are pleased when the wait times go down, and just desperately annoyed and angry when the wait times go up, and improving IRS service standards is something that I would hope all of us could agree is well worth investing in.

Secretary YELLEN. I completely agree. I mean, that will be an important use of funds, is to greatly improve taxpayer service.

Senator COONS. Thank you very much, Madam Secretary. Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator Coons.

Madam Secretary, we are going to do another 5-minute round of questions.

Secretary YELLEN. Okay.

Senator VAN HOLLEN. I don’t know if—whether other Members of the subcommittee will or will not be returning. But I do want to quickly turn to the debt ceiling, because as you well know, the debt ceiling is currently suspended until July 31, just end of next month. After that point, the Treasury Department can prevent a default for a brief period of time with its so-called “extraordinary measures”, but Congress must ultimately raise the debt ceiling to prevent a default of the full faith and credit of the United States.

There are murmurings that some Members of the Senate may want to try to use this as a political cudgel to extract concessions on other things. Could you speak briefly to the consequences of a default on our national debt, or even creating uncertainty around whether or not we are going to make good on our full faith and credit?

Secretary YELLEN. I think defaulting on the national debt should be regarded as unthinkable. Failing to increase the debt limit would have absolutely catastrophic economic consequences. It would be utterly unprecedented in American history for the United States Government to default on its legal obligations. I believe it would precipitate a financial crisis. It would threaten the jobs and savings of Americans, and at a time when we are still recovering from the COVID pandemic.

I would plead with Congress simply to protect the full faith and credit of the United States by acting to raise or suspend the debt limit as soon as possible. Preferably, you mentioned July 31 is the date that the debt limit suspension ends, and I would really urge that the debt limit be raised or suspended again before that.

And, you know, this is not about authorizing additional spending, this is simply about the government paying its bills, making good on the payments that are implied by the tax and spending decisions that Congress has made.

Senator VAN HOLLEN. I appreciate your underscoring that very important point. And this is about paying the bills that are already due and owing. Do you have an estimate as to how long use of the emergency measures would last us in this current economic environment?

Secretary YELLEN. Well, we are constantly trying to refine our notions on that. I don't have anything specific but, you know, these are times, especially because of the pandemic and the programs that we are engaging in when there is a lot of uncertainty around payment flows, and the timing of payment flows. And, you know, we don't want to just look at what is the most likely time that we could make it too with extraordinary measures.

We can't tolerate any chance of defaulting on the government debt. And there is a lot of uncertainty. It is possible that we could reach that point while Congress is out in August. And I would really urge prompt action on raising—raising the limit or suspending it.

Senator VAN HOLLEN. Thank you, Madam Secretary. I just want to put two issues on your radar screen. And I don't expect an answer today but—so Senator Toomey and I, in the last Congress, authored the Hong Kong Accountability Act, it was passed into law. I was pleased to see the Biden administration sanction a number of officials who have been complicit in undermining democracy and human rights in Hong Kong. But that law also requires sanctions against any financial institutions that are aiding and abetting, or facilitating those individuals.

And Treasury has not imposed sanctions on those financial institutions. Maybe you haven't been able to identify any such institutions yet.

Secretary YELLEN. We have not.

Senator VAN HOLLEN. I think Secretary Toomey and I are in the process of asking for a briefing, with respect to treasuries capacity to monitor these things.

The other thing I wanted to mention is the BRINK Act. This is also legislation that Senator Toomey and I, and others pushed for, did apply secondary—secondary sanctions on North Korea.

Secretary YELLEN. Yes.

Senator VAN HOLLEN. And here there is a discrepancy because the U.N., a panel of experts just earlier this year, you know, found that there were huge holes in the sanctions regime, that there were Chinese entities that were essentially facilitating, you know, payments to North Korea that would be subject to secondary sanctions. And so, we do want to follow up with you on that as well.

Secretary YELLEN. We would be—we would be glad to discuss that in follow up.

Senator VAN HOLLEN. Thank you, Madam Secretary. I don't know if—great.

Madam Secretary, thank you for your testimony. Thank you for requesting this increase in funds for CDFIs, which play an essential role. And now we are going to get some first-hand accounts of how important they are. Thank you. Thank you very much.

Secretary YELLEN. Thank you very much.

Senator VAN HOLLEN. All right. Next, we are going to bring up our distinguished next panel. All right, welcome, everybody. We have three terrific witnesses for our next panel.

Mr. Noel Andrés Poyo, who is the deputy assistant secretary at Treasury, for Community and Economic Development, and is a real expert in this area of CDFIs, and I have had the privilege of talking to him previously, and grateful for your being here.

We also have Mr. Joseph Haskins, Jr. He is the chairman and CEO of The Harbor Bank of Maryland, which is in Baltimore. And on a personal note, somebody who I really rely on for advice on how we can make sure that our most distressed businesses, and businesses that are sometimes left out of the financial system, get the support and help they need, which was important, of course, during the pandemic, but also important to make sure we build an economy and a community that ensures that everybody has a chance to succeed. So I am really grateful that he is here.

And I am going to turn it over to Ranking Member Hyde-Smith to introduce our third panelist.

Senator HYDE-SMITH. Thank you, Mr. Chairman. And I am really pleased to have with us Andy Anderson of Anguilla, Mississippi, and that is kind of hard to pronounce, and we are a long way from Anguilla, Mississippi, right now, but I so appreciate each of you coming, and be willing to give of your time, because it is really important that we hear from you and what you go through.

And Andy Anderson chairs the Board of Directors and Executive Committee at the Mississippi Bankers Association, he is the chairman this year. He has 37 years' experience in the banking business, and all at the Bank of Anguilla. So if you ever visit Mississippi, be sure to come by and visit with him. Thank you.

Senator VAN HOLLEN. Thank you.

Mr. Poyo, why don't we start with you as the administration witness, and then we will turn to our other two witnesses.

STATEMENT OF NOEL ANDRÉS POYO, DEPUTY ASSISTANT SECRETARY, COMMUNITY AND ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF THE TREASURY

Mr. POYO. Very good. Thank you, Chairman Van Hollen, Ranking Member Hyde-Smith. It is my honor and pleasure to speak with you today. My name is Noel Andrés Poyo, I am the deputy assistant secretary of Community and Economic Development at the Treasury Department. And I am also a former CEO of a CDFI.

And I appreciate the opportunity to provide testimony on Treasury's fiscal year 2022 budget, and specifically about community development, financial institutions, and Treasury CDFI. So CDFIs, as you both know, are specialized financial institutions, including loan funds, credit unions, community banks, venture capital entities that have a common goal of filling financing gaps in underserved and low-income areas, with responsible financial products and services.

CDFIs are accountable to the communities they serve, and possess a particular sensitivity to the needs of local residents and businesses. This is a key reason that CDFIs often deliver capital in places where traditional banks have not met the market demand. CDFIs provide not only financing, but also development services to help prepare borrowers for success.

Since the creation of the CDFI fund more than 25 years ago, CDFIs have played an increasingly important role in opening access to capital and economic opportunity in low-income communities and for low-income people. And so keep in mind that at the end of 1997 there were 196 certified CDFIs with total assets of \$4 billion. Now, there are more than 1,200 certified CDFIs operating in every State and with assets of over \$220 billion.

The collective capacity of this field to deliver fair and responsible financing is growing rapidly. And before this year, the CDFI Fund had awarded nearly \$4 billion to CDFIs and other community development entities. CDFI Fund has also allocated \$61 billion in tax credits to the New Markets Tax Credit Program and guaranteed \$1.6 billion in bonds through the CDFI Bond Guarantee Program. And as you well know, the CDFI Fund investments are leveraged many times over.

So the Consolidated Appropriations Act, 2021, made available historic funding for CDFIs under three programs being implemented by Treasury. \$1.25 billion in grants to CDFIs under the Rapid Response Program, through the CDFI Fund \$1.75 billion in grants to CDFIs under the Minority Lending Program, and then \$9 billion for Treasury investments under the Emergency Capital Investment Program, which is available to credit unions and banking entities that are either CDFIs or minority depository institutions.

You may have heard on June 15, the Vice President and Secretary Yellen announced that the CDFI fund was awarding \$1.25 billion through the Rapid Response Program to 863 CDFIs across the country. More than 70 percent of all certified CDFIs submitted applications. The RRP awards will provide CDFIs with an unprecedented level of flexible capital that will allow for growth across the industry.

The Minority Lending Program, the \$1.75 billion program will be rolled out later this year. And ECIP, the Emergency Capital Investment Program, will encourage low- and moderate-income community financial institutions to augment their lending to support small businesses and consumers in their communities.

Under this program, Treasury will invest up to \$9 billion in capital into depository institutions that are CDFIs and MDIs, minority depository institutions.

I want to turn to the CDFI budget. The CDFI funds currently offers programs to help CDFIs and other community development entities access financial products and services in low-income communities. And in fiscal year 2022 the CDFI Fund request \$330 million that is approximately \$60 million above the fiscal year 2021 enacted level, an increase of 22 percent. It includes primarily increases in the mainline CDFI Program, the FA Program, about a 30 percent increase, similarly about a 30 percent increase in the Native American CDFI Assistance Program. And about a \$4.6 million increase in administrative dollars.

Additionally, we are requesting \$500 million in a commitment authority and proposing legislation to expand the Capital Magnet Fund as a part of the American Jobs Plan.

So on behalf of everyone at Treasury, and particularly within the CDFI Fund, I would like to express our gratitude to the sub-

committee, to the subcommittee for its support, and look forward to working with you in this coming year.

[The statement follows:]

PREPARED STATEMENT OF NOEL ANDRÉS POYO

INTRODUCTION

Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the subcommittee, it is my honor and my pleasure to speak with you today. My name is Noel Andrés Poyo. I am the Deputy Assistant Secretary for Community and Economic Development at the Treasury Department. Thank you for the opportunity to provide testimony on Treasury's fiscal year 2022 budget and specifically about Community Development Financial Institutions (CDFIs) and Treasury's CDFI Fund.

CDFIs are specialized financial institutions, including loan funds, credit unions, community banks, and venture capital entities, that have a common goal of filling financing gaps in underserved and low-income areas with responsible financial products and services. CDFIs are accountable to the communities they serve and possess a particular sensitivity to the needs of local residents and businesses—this is a key reason that CDFIs often deliver capital in places where traditional banks have not met the market demand. CDFIs provide not only financing but also development services to help prepare borrowers for success.

Since the creation of the CDFI Fund more than 25 years ago, CDFIs have played an increasingly important role in opening access to capital and economic opportunity in low-income communities and for low-income people. At the end of 1997, there were 196 certified CDFIs, with total assets of \$4 billion. There are now more than 1,200 certified CDFIs, operating in every State, with assets of over \$220 billion. The collective capacity of this field to deliver fair and responsible financing is growing rapidly.

Before this year, the CDFI Fund had awarded nearly \$4 billion to CDFIs, community development organizations, and financial institutions through its funding programs. The CDFI Fund has also allocated \$61 billion in tax credits through the New Markets Tax Credit Program and guaranteed \$1.6 billion in bonds through the CDFI Bond Guarantee Program. The CDFI Fund's investments are leveraged many times over. Though the leverage ratio varies from program to program, and recognizing that leverage ratios may vary in the future, one analysis of past transaction level reporting found that on average CDFI Fund investments attract at least \$8 of private capital for every \$1 of Federal spending.¹

In fiscal year 2020, CDFI Program award recipients reported originating more than 1 million loans, financing more than 41,000 units of affordable housing, and funding more than 87,000 businesses—all in distressed and underserved communities lacking access to traditional lending or banking institutions. It is also worth noting that, over the past year, CDFIs provided many small business owners and nonprofit organizations with access to the Paycheck Protection Program.

STATUS OF FUNDS FROM THE CONSOLIDATED APPROPRIATIONS ACT, 2021

The Consolidated Appropriations Act, 2021 made available historic funding for CDFIs under three programs being implemented by Treasury:

- \$1.25 billion in grants to CDFIs under the CDFI Rapid Response Program (RRP), to respond immediately to the economic impact of the pandemic;
- \$1.75 billion in grants to CDFIs under the Minority Lending Program; and
- \$9 billion for Treasury investments under the Emergency Capital Investment Program (ECIP), which is available to credit unions and banking entities that are either CDFIs or Minority Depository Institutions.

On June 15, 2021, the Vice President and Secretary Yellen announced that the CDFI Fund was awarding \$1.25 billion through the RRP to 863 CDFIs across the country. More than 70 percent of all certified CDFIs submitted an application. RRP recipients included 58 organizations receiving a total of \$54.6 million that committed to direct their awards to investments in Native American, Native Alaskan, and Native Hawaiian communities, and 90 organizations designated as minority depository institutions receiving a total of \$133.9 million in awards. The RRP awards will provide CDFIs with an unprecedented level of flexible capital and will allow CDFIs to help businesses keep their doors open, help families make ends meet, and

¹ CDFI Fund analysis of Awardee Transaction Level Reports, 2017

help maintain important community facilities as the country continues to grapple with and recover from the economic crisis caused by the COVID-19 pandemic.

Under the Minority Lending Program, Treasury will provide \$1.75 billion of grants to CDFIs to expand financial activity in distressed minority communities and to minorities that have significant unmet capital or financial services needs. The Minority Lending Program will be rolled out later this year.

The ECIP will encourage low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities. Under the program, Treasury will invest up to \$9 billion of capital directly in depository institutions that are CDFIs or minority depository institutions (MDIs) to, among other things, provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities, that may be disproportionately impacted by the economic effects of the COVID-19 pandemic. Treasury has conducted extensive outreach to the private sector, including through meetings with CDFIs, minority depository institutions, trade associations, community groups, and civil rights groups. Treasury has also consulted extensively with the Federal banking agencies regarding the terms of Treasury's investments under this program. Based on this input and consultation, Treasury anticipates releasing additional guidance for applicants in the near future.

CDFI FUND BUDGET

The CDFI Fund currently offers programs to help CDFIs, Community Development Entities, banks, credit unions, and community development organizations generate economic opportunity by increasing access to financial products and services in low-income communities. In fiscal year 2022 the CDFI Fund requests \$330 million broken down as follows:

- \$215.4 million for the CDFI Fund's flagship program, the CDFI Program, which spurs economic growth and increases access to capital in low-income communities;
- \$23.0 million for the Healthy Food Financing Initiative, which supports investment in businesses that increase access to healthy and affordable food in low-income communities;
- \$21.5 million for the Native American CDFI Assistance Program, targeting support to CDFIs primarily serving Native communities;
- \$26.0 million for the Bank Enterprise Award Program, which awards FDIC-insured depository institutions that successfully demonstrate an increase in investment in mission-driven lenders or in their own lending, investing, or service activities in distressed communities;
- \$8.5 million for the Small Dollar Loan Program, which enables CDFIs to provide consumers access to mainstream financial institutions and combat high-cost small-dollar lending;
- \$2.0 million for the AmeriCorps CDFI Economic Mobility Corps to place national service members at certified CDFIs to strengthen their capacity; and
- \$33.6 million for administration of the CDFI Fund, which includes support for the New Markets Tax Credit Program and the CDFI Bond Guarantee Program.

The fiscal year 2022 budget request is approximately \$60 million above the fiscal year 2021 enacted budget, an increase of 22 percent. The budget includes:

- \$50.4 million increase for the CDFI Program (increase of 28.9 percent);
- \$5 million increase for the Native American CDFI Assistance Program (Increase of 30.3 percent); and
- \$4.6 million increase for administration (increase of 15.9 percent).

The proposed increase in support for the CDFI Program can support larger Financial Assistance awards to increase the loans and financial products offered by CDFI Program award recipients, as well as additional Technical Assistance awards for emerging CDFIs. Additional support for the Native American CDFI Assistance Program can support larger Financial Assistance awards and improving technical assistance and capacity-building for Native CDFIs.

Additionally, we are requesting \$500 million in commitment authority and proposing legislation to expand the Capital Magnet Fund as part of the American Jobs Plan.

CONCLUSION

On behalf of everyone at Treasury and the CDFI Fund, I would like to express our gratitude for the support of this subcommittee, and I look forward to working with you.

Senator VAN HOLLEN. Thank you for your testimony. You probably heard the bells going off. So Senator Hyde-Smith is going to go vote, and then return. And I will have to go vote after that.

But let me now turn it over to Mr. Haskins. Thank you for being here.

STATEMENT OF JOSEPH HASKINS, JR., CHAIRMAN AND CEO, THE HARBOR BANK OF MARYLAND

[CLERK'S NOTE: Materials were submitted for the hearing record by the Harbor Bank of Maryland, and are in the "Submitted Materials for the Hearing Record" section at the end of the hearing.]

Mr. HASKINS. Thank you very much, Senator Van Hollen. I just have to take a moment to acknowledge the Senator and his commitment to our State of Maryland, and particular Baltimore City, because he has actually made a visit to my institution, and that is somewhat unusual. And to me I am deeply gratified, and proud to say that you represent our community.

Also I would like to acknowledge Senator Hyde-Smith for her role and participation in this panel, and to the other representatives who are present. So I thank you again for the opportunity to be able to present the role of Harbor Bankshares Capital Corporation, the parent Harbor Bank of Maryland, before this subcommittee, the Financial Services and General Government Committee.

My name, again, is Joseph Haskins. And by way of background, again, I am chairman, CEO, but because of my commitment to the community very early on, and I am now in my 46th year of banking and financial services, having started at what is now the JPMorgan Chase, I returned home to Baltimore to help found a bank. So not only do I chair, but I am one of the founding members of an institution that is now 39 years old.

So by way of history, Harbor Bank was founded with the intent of addressing issues that we saw that reflected an absence of access to capital by the minority community of Baltimore City. So at the end of the late-1960s and the early-1970s, there were members of the community that said: How can we improve economic opportunities to those who have not had ready access to capital, or had ready access to banking and financial services.

And as a result of those questions, and having identified that shortcoming, The Harbor Bank was founded. I am proud to say that we opened the doors in 1982, and I am proud to say that for the first 16 years of operation, the Bank was a profitable organization. It wasn't until the great recession that we experienced a real loss. And many of you know that period.

But the founding of Harbor Bank was focused in three areas, which we saw as vital to providing access to capital, banking services, and economic opportunities. Those three areas we identified involve small business lending, faith-based lending, and residential mortgages. So today we have now grown to a bank of \$350 million in size, and as the \$350 million bank, we have been able to operate an offer great financial benefits and services to the community.

In 1992 we formed a holding company because we found that they were great needs—needs beyond what the Bank could contribute. And as such, we formed three additional subsidiaries.

And so what I would want this subcommittee to know is that in our community, we have been instrumental in revitalizing communities that were pretty much dormant, distressed, forgotten, and overlooked. The Inner Harbor of Maryland was led in terms of financing by Harbor Bank. The Canton community was led by Harbor Bank with the development of housing, the restoration of all abandoned warehouses, as well as creating retail space for business enterprise.

A couple of significant projects that we worked on that we saw that brought to the table all of the programs—is East Baltimore’s redevelopment of 88 acres. In that case, we were able to bring BEA-related loans, we were able to bring advisory service, we were able to bring lower cost funding, and we used New Market Tax Credits to stimulate the development of a science park. The first two science buildings done in that Johns Hopkins, Science Park were done and initiated resulting from the New Market Tax Credits that provided the incentive for that development.

The New Markets Tax Credit Program, as we see it, is critical in addition to the BEA Program, the FA Program, the TA Program, because when you can bring all of those programs to the table at once, you can revitalize the area. Resulting from our efforts, we have created more than \$3 billion of economic development in the Baltimore community, which represents more than 4,000 additional jobs as a success that is now a national model.

So with this, I ask the subcommittee to strongly support the request for additional financing, new subsidy of the CDFI Program. And I thank you, Senator Van Hollen, and Senator Hyde-Smith for allowing me the opportunity to speak to this critical issue, and the critical needs in our respective communities.

[The statement follows:]

PREPARED STATEMENT OF JOSEPH HASKINS, JR.

Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the subcommittee, good afternoon. Thank you for inviting me to discuss the important work of Community Development Financial Institutions (CDFIs).

My name is Joseph Haskins. I am a founding Director, Chairman and CEO of Harbor Bankshares Corporation, headquartered in Baltimore, Maryland.

BANK HISTORY

The Harbor Bank of Maryland (Harbor Bank) opened its door for business in September of 1982. The Bank had its origin dating back to the early 1970s when Baltimore’s African American leadership was seeking ways to enhance economic opportunities for minority communities in Baltimore City.

One of the major issues identified as limiting economic opportunities was the lack of access to capital and more importantly access to banking. To address these issues Harbor Bank was found.

Harbor Bank focused on providing banking services in the following areas:

- Minority Business/Commercial Lending
- Faith Based (Church Financing)
- Residential Mortgages

Increased demands for financial services coupled with increasing bank regulations required and expanded operations.

In 1992, Harbor Bank formed a holding company, Harbor Bankshares Corporation (The Corporation), allowing for additional financial services.

Establishing the holding company led to the formation of three (3) subsidiaries and a non-profit Community Development Corporation (CDC).

Today, The Corporation oversees a \$350 million Bank and subsidiaries that directly and indirectly control another \$300 million. While the Bank remains the pri-

mary subsidiary, the other operations provide the Baltimore community with access to more diverse capital and financial services.

Some of the expanded services include:

- Lower priced loans
- Equity investment support
- Financial literacy programs
- Real estate development programs
- Specialized tax benefits

Over the past thirty-nine (39) years, the significance of the Corporation and Bank to the development/revitalization of communities is evidenced by:

- The development of the Inner Harbor East where Harbor Bank was the first money to help build a hotel, office building, and residential housing.
- The Canton Community where Harbor Bank was the first money to support a residential housing project and the converting of old warehouses to office and retail space.
- East Baltimore Development Inc. (EBDI), a non-profit, was aided by Harbor Bank's seed money to help an 88-acre community known for poverty and crime to be revitalized and become livable. Johns Hopkins Science Park is a part of this community's revitalization. This community is now a national model.
- University of Maryland at Baltimore (UMAB) Science Park where Harbor Bank was the first money to support land and project development West of Martin Luther King Boulevard.

As a corporation in the financial services space, our role evolved to that of being a catalyst and advocate for revitalizing and restoring abandoned, forgotten, and disregarded communities in Baltimore.

THE CDFI ROLE

The Corporation and Bank seeking to enhance financial services and bring more resources to the Baltimore Community applied over 20 years ago to become certified Community Development Financial Institutions (CDFI). Today, the Corporation and two of its subsidiaries are CDFIs. Also, The Corporation's non-profit CDC is a certified CDFI.

Under the Department of Treasury's CDFI Program, the Corporation and its subsidiaries have participated in several of funds programs and have successfully won/earned:

- 13 Bank Enterprise Awards (BEA) totaling \$3,893,753 which helped to increase lending in lower income communities. The BEA Award is important to CDFI Banks because of its leverage capacity. Records show that 90 percent of BEA monies go to the lowest income census tracts.
- Financial Assistance (FA) award totaling \$649,000. (\$500,000 was for loans and \$149,000 persistent poverty).
- Nine rounds of New Market Tax Credit (NMTC) awards totaling \$384 million helping to leverage over \$3 billion of development and create 4,000 jobs. Projects include science buildings, community schools, and healthcare facilities.

Many projects involve multiple level of participation from The Corporation. A project could include New Market Tax Credit (NMTC), Harbor Bank loan and advisory services.

MARYLAND PROFILE

- The programs of the CDFI Fund are very important to the State of Maryland. Maryland is home to 15 CDFIs, two of which are banks or bank holding companies, while two additional CDFI banks based in the District of Columbia provide significant services within the State.

—In 2020, Maryland-based CDFIs and CDFI banks serving Maryland (Maryland and D.C. based) received \$6.7 million in CDFI Financial Assistance (FA) and Technical Assistance (TA) awards. CDFI banks serving Maryland received \$202,898 in BEA funds.

—In the past 3 years Maryland-based CDFIs and CDFI banks serving Maryland have received \$31.4 million in FA and TA awards, while CDFI banks serving Maryland have received \$1.15 million in BEA funds.

—Since the CDFI Fund's inception in 1996, Maryland-based CDFIs and CDFI banks serving Maryland have received \$119.5 million in total awards. In that same period, CDFI banks serving Maryland have received \$14.5 million in BEA funds.

- Maryland is among the poorest states in the nation. Like other states with persistent poverty, Maryland has a lot to lose if the CDFI Fund and BEA Program do not have adequate funding.
- Approximately 9.1 percent of all Marylanders live in poverty—with the poverty rate in 8 counties (Somerset, Baltimore, Dorchester, Allegany, Wicomico, Garrett, Kent and Washington) equal to or exceeding the 12.3 percent United States total
- Baltimore City, Maryland's USDA designated persistent poverty county, has a poverty rate 160 percent higher than the United States total. Somerset County has a poverty rate 190 percent higher than the United States total.

COVID-19 PANDEMIC

The crisis of COVID-19 highlighted the importance of CDFI banks and other community based financial institutions. CDFI banks reached and helped the businesses that required loans to survive, the ones disproportionately operating in low to moderate income communities and desperate for banking services and in particular financial assistance. The government offered stimulus programs—especially the Paycheck Protection Program (PPP) proved to be a lifeline to many of these businesses, especially in the distressed communities.

Harbor Bank stepped to the front of the line providing assistance through the PPP program. Harbor Bank met and assisted over 1,000 potential PPP applicants and processed 674 applications totaling \$67.5 million. Adjusting out the 10 largest borrowers, the average size of Harbor's PPP loan was \$52,000.

The government met the economic call from the community and Harbor Bank was a part of the delivering channel.

In summary, the Treasury's CDFI Program is vital to the growth and restoration of the communities that have been depressed or deprived for years. It is difficult to provide the capital that these communities need without a CDFI Program. My fear today is that the absence of the PPP Program will render businesses incapable of continuing on the survival path.

I urge the Members of the subcommittee to recognize the significant economic benefits of funding the CDFI Fund programs. Not only do these programs provide access to capital in historically disadvantaged regions of the country, but they do so by leveraging private investment. The CDFI Fund programs are a market-based strategy for addressing chronic economic challenges.

I thank Chairman Van Hollen, Ranking Member Hyde-Smith, and the Members of the subcommittee for the opportunity to tell you the story of Harbor Bankshares Corporation, the work we do, and the communities that we serve.

Senator VAN HOLLEN. Thank you for your testimony, Mr. Haskins. Next we will turn to Mr. Anderson.

STATEMENT OF ANDY ANDERSON, PRESIDENT AND CEO, BANK OF ANGUILLA

[CLERK'S NOTE: Materials were submitted for the hearing record by the Bank of Anguilla, and are in the "Submitted Materials for the Hearing Record" section at the end of the hearing.]

Mr. ANDERSON. Good afternoon. My name is Andy Anderson. I am the president and CEO of Bank of Anguilla, in Anguilla, Mississippi. I am also chairman of the Mississippi Bankers Association, and a board member for the Community Development Bankers Association.

Mississippi is home to the largest concentration of CDFI banks in the country. Thus the Treasury Department CDFI Fund is extremely important to my bank and the communities we serve in my entire State. I appreciate the opportunity to testify on this topic today.

I thank the Members of this subcommittee for their long-standing support of the CDFI Fund, and providing \$270 million last year in recognition of the important roles CDFIs play in promoting economic opportunity in underserved communities. As you consider your next appropriation, I strongly urge you to increase overall

support for the CDFI Program, and particularly for the Bank Enterprise Award Program.

Bank of Anguilla has \$171 million in total assets, and it is the only financial institution in two persistent poverty counties that are among the most economically distressed places in the Nation. Established in 1904, helping our neighbors and providing a pathway to financial stability is core to the purpose of Bank of Anguilla.

Many people do not grasp all the challenges that rural communities like the ones we serve face. Our community and our counties have a combined population of only 5,648 people, of which 33.6 live in poverty and 69 percent of the population is minority. The medium household income is \$24,208. There are no traffic lights. There are no major retailers or national chain restaurants in either county. There is no broadband Internet.

It is an hour drive to shop at a Walmart, or visit a clothing store, or department store, which creates challenges for many of our citizens that don't own a vehicle. New home construction is nonexistent, and existing housing the quality is often poor, as the cost of renovation often exceeds the market value. Many of our neighbors struggle to make utility payment, put food on the table, or buy school books or clothes for children. CDFI banks, like Bank of Anguilla help these struggling individuals to meet these challenges.

Fifty-one percent of the Bank's current loans are consumer loans made to local residents. We have no minimum loan amount and roughly 10 percent of our total current loans have an original balance of \$2,500. Like all CDFIs, at least 60 percent of our lending and activities target LMI communities. With solid underwriting practices, civic pride, and mission-driven empathy, CDFI banks, like Bank of Anguilla, bridge the gap for financially vulnerable customers.

Over the past decade, the CDFI fund has played a critical role in Bank of Anguilla's ability to serve our communities and remain a locally-owned institution. Since 2010 Bank of Anguilla has received nine BEA awards totaling \$1.7 million. BEA has the strongest demand among the CDFI programs, and is far oversubscribed compared to other programs.

In 2020, only \$1 in BEA funding was available for every \$5.68 in request. Given the benefits generated by the BEA Program, it is critical to increase funding. Since 2016, the number of CDFI banks increased by 48 percent, yet, BEA funding increase from only \$18.2 million to \$25.2 million. Through the financial benefits of the BEA program, Bank of Anguilla is able to make commercial loans to small minority businesses and consumer loans to individuals that need financial help. Most financial institutions would decline these requests.

We recently made two loans with the help of a local agency's Minority Business Enterprise Loan Program to help a minority owner purchase an established restaurant. We made another loan to establish a minority-owned physical therapy clinic. We also just financed the opening of a new minority-owned restaurant. We support our local hospital and clinics, where approximately 80 percent of the patients are minority, and most of these poor. I could spend hours telling you the small-dollar loans we have made, but this would take a whole lot of time here.

Demand for all CDFI-funded programs far exceeds funding available. I urge the Members of the subcommittee to recognize the significant economic benefits of funding to CDFI Fund programs. Not only do these programs provide access to credit in historically disadvantaged regions of the country, like mine, but they do so by leveraging private investment.

I urge this subcommittee to support the CDFI Fund Program, by providing a robust budget for the CDFI Fund, and include an extremely robust increase for the bank enterprise award program.

I thank Chairman Van Hollen, Ranking Member Hyde-Smith, and the Members of this subcommittee, for the opportunity to tell you the story of Bank of Anguilla, the work we do in the communities that we serve. And I look forward to answering your questions.

Senator VAN HOLLEN. Well, thank you very much for your testimony, Mr. Anderson, and to all three of you. And I have a question which really goes to all three.

I am going to start with Mr. Poyo, about the emergency capital investment program, that was part of the December legislation, and legislation after that, providing a \$9 billion investment into community development financial institutions, and minority depository institutions. I understand that applications are not due until July 6, but what has the response been to date? And how do you anticipate dealing with the demand?

Mr. POYO. Thank you, Mr. Chairman. So the Emergency Capital Investment Program has had a great deal of interest as you might imagine from the day that it was passed. And we opened the application round quickly, in March, and received a great deal of feedback from those institutions that were—that are potentially eligible applicants about how to structure the program in a way that would most effectively achieve the goals laid out by the statute and by Congress.

And so we have really listened to the banks and the credit unions that are eligible applicants here, as well as engaged in significant engagement with regulators, who are our partners in administering any program, in carrying out a program with regulated institutions. And so we are expecting strong demand for the emergency Capital Investment Program, insignificant part, because I believe that we have listened very carefully to the institutions that are eligible for it, work closely with regulators.

And, we will be, soon, releasing some additional updates, that help you address many of the questions that we have seen from the field. But I think listening to the field has really put us in a strong position to see this program be effective.

Senator HYDE-SMITH. Thank you very much. And we are going to continue with questions, as Senator Van Hollen had to go vote, Van Hollen had to go vote, and I just ran back.

So I will start with my questions. And this is for Mr. Anderson. The Bank of Anguilla is headquartered in the South Delta, Mississippi, one of the poorest regions in the country. And I have received two statements on the impact that your bank has had on the local area that I would like to enter into the hearing record. But what would a funding increase to the BEA Program mean for your community, there in Anguilla, and where your branches are?

Mr. ANDERSON. Sure. As I said earlier, BEA is very important to Bank of Anguilla, and an increased BEA award means we could do so much more. We are only a \$170 million bank in assets, and we don't have access to capital markets, so grants like this from the fund are really impactful for us. We have received an award each of the last 10 years, which is great, but the amount of the actual dollars we receive is trending downward due to the increased demand in the program.

We are grateful to receive the award, but if we could just get the amount bumped up, we could sure do a whole lot more in our community. And BEA is important because it is not just a one-time allocation. It is award that we have come to depend on, and is a tool that helps us mitigate the risks that we inherently have to absorb in serving predominantly LMI customers.

Increasing this award could mean that in two of the poorest counties in the Nation, borderline profitable small businesses could remain open, potential small new businesses could be started, and the lives of those in poverty in our area could be better improved through the work of the Bank of Anguilla. The BEA Program is helping to keep small, rural, impoverished communities afloat, and that is a good thing.

Senator HYDE-SMITH. Thank you. And your opening statement touches on the difficulty many Americans face in just understanding the true meaning of the words "rural" and "poor" in our country unless you have experienced regions like in the Delta. Will you elaborate on this and the communities you serve? And how has prior BEA funding benefited them?

Mr. ANDERSON. Sure. One important point to state, that Bank of Anguilla, like many community banks and CDFIs across the country, we literally know most of our customers, our customers are our neighbors, and neighbors help neighbors. They come into our office and they laugh, they cry, they show pictures of their family, and they look for us for guidance and help.

And banking is more than looking at a loan application to see if it will fit into a box. Bankers are missing a blessing if they haven't made a \$500 loan to an elderly woman to visit her dying sister, or made a \$300 loan to an elderly lady for clothes for a funeral, or made a \$400 loan to a man over 100 years old that needed money for his utilities and to put food on his table for Thanksgiving, or made a \$1,000 loan to a disabled woman to help pay for the funeral expenses of a granddaughter that passed away in a fire.

And we might add that Bank of Anguilla employees made up the difference for the expenses of that funeral. We later made \$5,000 loan to this same lady, so she could take in two grandchildren. She had to have beds for them so human services wouldn't take them away. All of these loans were made unsecured to people that were poor. BEA funds not only help us to make business loans that might not otherwise get made, but it helps Bank of Anguilla, and other CDFIs who saw the risk of making small loans to impoverished individuals who need help with the basics of life.

Senator HYDE-SMITH. Wow, tremendous testimony, tremendous story, for real people.

And I am going to turn it over to Senator Coons. I think he has a question. I recognize you.

Senator COONS. Thank you very much, Senator.

As someone who has long been interested in, and concerned about CDFIs, and I am eager to see them play a more significant role, I am so excited by this panel. I enjoyed reading your testimony beforehand. If I might, forgive me—the questions I had hoped to ask.

Mr. Haskins, The Harbor Bank of Maryland is a certified CDFI that helps communities in Baltimore. What impact have you seen the COVID-19 relief funding for small businesses and the CDFI Fund have on your community? And forgive me, I wanted to ask that question, of both witnesses, from CDFIs. Forgive me, sir.

Mr. HASKINS. Well, speaking to the Paycheck Protection Program, I can tell you that we probably interviewed more than 1,000 different applicants. We ended up processing 674 applications for a total of roughly \$67 million. If we tease out the 30 largest borrowers, our average loan to the borrowers was roughly about \$52,000. We know that we kept businesses' inability to operate and survive because we were there. And I don't want to speak to some of my larger brothering, but I can tell you that in our community, it was difficult for many of them to access loans, especially when they were of a smaller size.

When you looked at loans in, for half-million or in the multi-million dollar size, we could process those loans in a couple of hours. When we got to the \$25- and \$30,000 loans, we were spending weeks getting those loans processed because you had to walk individuals through the process. When you thought you had clear understanding you didn't, you ended up actually drawing up many of the documents so that they could apply.

The reason I mentioned that we talked to in excess of 1,000, because I engage all of our eligible staff to work in the processing, because we had such requests and the demands were so heavy, there was a third of those that we couldn't get to. The reason I think it is important to know that, is because those individuals are still struggling, and I will suggest to you, many will not survive because they didn't get the lifeline that the PPP Program extended for those businesses that were so impacted by the pandemic itself.

And so I would just say to you that it is an extremely important role. And I just want to mention, I know it was raised about the BEA award, and I want you to know that, as my colleague, Andy, pointed out with reference to Mississippi, in Baltimore where we are 160 percent impoverished beyond what is considered the national average, we find ourselves dealing with many of the same issues in terms of meeting those needs.

Twenty years ago we applied and won CDFI certifications. I have been successful in winning 13 BEA awards, which total \$3,893,000. Those dollars have gone back in to provide some financial support for businesses, vital to communities that have not readily received. Unfortunately, in many urban communities, what we know and hear about as food deserts, have become bank deserts. And so they are not easy and readily access to financial resources. Harbor Bank has stepped in to help bridge that gap and bring financial resources.

And the last comment I will make is that, Harbor, and in our community, we are more than a bank, we are a catalyst for eco-

conomic development, and we are advocates for financial resources. So when you talk about these funding sources, you are talking about funds that we can point to specific projects that are there because of us. We are so knowledgeable of the community that we can go into communities that other financial institutions will not look at, and invest our dollars to ignite economic development. And we bring in the others.

Senator COONS. Thank you, Mr. Haskins.

Mr. Anderson, my experience in Delaware has been that we have CDFIs that provide access to financial services, much as Mr. Haskins was describing, in both the urban core of Wilmington, Delaware, and in our most rural, lowest-income corners of our State. I was intrigued by reading your testimony about your experience in Anguilla, Mississippi.

If you just please tell me, briefly, if you could, as well, about why you support the CDFI Fund. Why the BEA program is particularly important, and how you think we can make the best use of taxpayer money in deploying CDFIs as economic development, access to credit, facilitators across our country from both urban and rural communities?

Mr. ANDERSON. Sure. As I stated earlier, banks like Bank of Anguilla in rural areas have very limited access to capital. We just don't have it. Our capital grows by local investors and the small amounts we make in profits. If we didn't have the BEA designation, if there were—if there wasn't a designation such as CDFIs, we would still make the loans that we are making now. We would do it, but at much greater risk.

What the BEA Program allows us to do, is absorb some of these risks and go even farther outside the box to help the people in our communities, Sharkey. Issaquena counties, where we operate, to have just a basic existence in life. So many of us take for granted the daily necessities. There are people across the country that don't have these basic necessities, and they look to us to be able to build—to fund these. And they looked to us for advice, as Mr. Haskins said.

The CDFI Program is important to banks like us. And it is very important that that dollar amount continues to grow for us, because too often banks get an image as the bad guys, but we are there for our customers. Our bank, just like probably most of the CDFIs across the country, we have a heart and soul. We have a heart and soul for missions, and that is what we do. Our employees, each one of my employees, I am so proud of them, they have a heart for missions. They seek ways to help out people.

And it all boils down to people, whether it is a business loan or a consumer loan, it all boils down to people, individuals, and family. And I stress a lot on the individual level, the consumer level, but the BEA Fund and CDFI Program is so important to economic development too.

Senator COONS. Well, thank you. Thank you both. I have gotten to know CDFIs throughout my State, and I have been really struck at the mission orientation, the willingness to invest the time to do the hard work, to get to know your customers, and to do banking, I would say the good old fashioned way, meaning it is a lot of work,

but it provides people opportunity and access. Thank you. Thank you for your testimony.

Mr. ANDERSON. Thank you.

Senator VAN HOLLEN. Thank you, Senator Coons.

I have a few questions. But let me defer to Senator Hyde-Smith, if you have some. Sorry, as you can see, we are in the middle of voting, so that is why you see everybody being—

Senator HYDE-SMITH. Oh, yes. I just have one more. Of course Mississippi is home to more CDFI banks than any State in the country. And why is that? And you know, that we have more, and what benefits do these institutions bring to our State that handle these?

Mr. ANDERSON. Mississippi, as so many people know, and it is well-publicized, is one of the poorest States in the Nation. CDFIs are mission-driven and are committed to serve in economically distressed areas. And we have a lot that fit that description of Mississippi. And we also have many community banks CDFIs that are committed to providing economic opportunity for everyone in their communities.

So there is a natural alignment between Mississippi community banks that are committed to growing the economy in rural underserved areas and the goals of the CDFI fund. This alignment has benefited our State, and provided opportunities for banks like mine to finance projects and to help the underserved. We have a lot of communities around the State that are struggling, particularly in my home of the Mississippi Delta, and combining public dollars with private funds for targeted impact, like the CDFI Fund does, is really an important way to combat persistent poverty. There is a lot of work to do, so the fund does a great job of helping all of us to do that.

Senator HYDE-SMITH. Thank you.

Senator VAN HOLLEN. Thank you, Senator.

And to Mr. Haskins and Mr. Anderson; I had to leave after I had asked Mr. Poyo the question about the new capital funds, the emergency capital fund that was developed. Are either of your two CDFIs applying for those funds?

Mr. HASKINS. Senator, yes we are. And as I reported a little bit earlier, and just to reiterate, we are fortunate in that not only is the Bank CDFI certified, my holding company is CDFI certified, and we have a second subsidiary that is CDFI certified with a non-profit that we have certified. So we intend to apply for the max.

And one of the examples that I can give you, if I can real quickly; to say, why it can get used for us, one of the stimulus programs early on from last year, the Main Street Program, while some institutions had trouble deploying it, in the last quarter of 2020, we actually deploy \$92 million in funds. So I say that to say that there is no lack of opportunity there.

And one other piece that I will give you, if those of you, and I always invite people to visit Baltimore and the area, north of Johns Hopkins hospital, because many of these hospitals, and many of the universities in urban areas are surrounded by low-income and highly distressed communities. Well, 88 acres north of Johns Hopkins University was revitalized because we were able to bring tax credits to the table, Harbor Bank direct loans to table, we were

able to bring CDC, low-income loans to the table, and we provided advisory service.

Well, there are several other projects that need funding there, and so we believe that this is a real opportunity for us to make major impact far beyond the communities that are already identified, and so we will be applying for the full amount, which will be \$70-some million, in terms of our institution.

Senator VAN HOLLEN. Thank you.

Mr. Anderson.

Mr. ANDERSON. As I stated earlier, we have limited access to capital in the markets we serve. So we will definitely be applying for capital through the program. In fact, we will have our application, and hope to finish by Friday, so we are moving forward with that. We think this could be a game changer in our area. We hope it will be. We believe we could invest in technology to help deploy something like remote deposit capture, which we don't have right now, and other mobile technology that we think will help banking access across our community.

When you look across our community, it seems that everybody has a cell phone. And so we believe that this will help. ECIP capital will also help us to grow our lending areas in some nearby small communities that no longer have local bank branches, these communities are bank deserts now, and we hope to be able to lend to the people in those areas. So ultimately we plan on using the ECIP capital to broaden the service and lending products we are able to offer. And we anticipate that this will continue to help us fight poverty in the Mississippi Delta.

Senator VAN HOLLEN. Thank you.

Mr. Poyo, we have been talking about the additional emergency funds that were provided both in capital as well as in the Rapid Response Program, but of course, you have got your annual appropriation request. And as we said earlier when the Secretary was here we appreciate that request. Some have asked, you know, given the fact that we have just provided these large amounts of funds to CDFIs, through the earlier legislation, whether there is the capacity to absorb this additional request. What is your response to that based on your current experience, and your previous experience in this area?

Mr. POYO. Yes. Thank you, Mr. Chairman. So as a former CDFI CEO, as well as in my position now, it is my experience that the CDFI field is something like parched earth, right. Can soak up, still a lot of capital, a lot of that water in the metaphor. And what we see is, you know, the Paycheck Protection Program, which you were talking about earlier. There was a lot of question about whether CDFIs would be able to play a really robust role in the deployment of Paycheck Protection Program dollars.

And indeed CDFIs outstripped, I think, anyone's expectation. And so the constraint, the fundamental constraint that I think the CDFI field faces is capital constraint. And so when we talk about capacity, it is very difficult to hire staff, or build your IT systems, or all of those things that are—that are good for an institution's building capacity, if it is not in the service of actually putting capital on the street and meeting people's needs.

And so I believe the capital that we have seen, which is a historic investment, and really appreciate that the Congress did this, we expect to see that capital absorbed by the field, and believe that the annual appropriation—that there is an opportunity to grow the annual appropriation to match that increase in capacity that we see in the field.

Senator VAN HOLLEN. Thank you. And, you know, as you know, that the Emergency Capital Investment Program, currently only applies to ensure depository institutions, bank holding companies, savings and loans, and federally insured credit unions. You and I have discussed this in the past, but we have heard from CDFI loan funds that they would also benefit from the longer term capital infusions that would be provided under this kind of program.

Question one: Is there a non-legislative fix to that issue? And question two is: Do you believe that the CDFI loan funds would also benefit from a capital infusion?

Mr. POYO. So taking your first question first. We have looked very closely at this question, and really, I think the constraint is in the statute. I am not sure that there is any way, and we have looked at it from a bunch of angles, to really construe that loan funds could be eligible as the statute is currently written.

That being said, loan funds receive significant benefit from the Rapid Response Program, which of course was just recently announced. And I do believe that loan funds can continue to absorb capital. And so I am—really appreciate you, sort of, focusing on and thinking through what are ways in which dollars could be crafted to loan funds. But of course, we have—we have both put the Rapid Response Program on the street, and the Minority Lending Program will be coming later this year, which will create opportunity for some loan funds.

Senator VAN HOLLEN. Thank you. No, and I look forward to working with you on that issue. And my final question goes to both Mr. Haskins and Mr. Anderson, because it is great to have you here, as really good, important examples of why the CDFI funding is so important to get capital and money into communities.

And two issues have come up, Mr. Haskins, you mentioned as well, the New Market Tax Credits in one of your earlier responses. And then there was also the discussion of the role CDFIs played in the deployment of the PPP Program. I think we all remember in the early days of the rollout of the PPP Program, a lot of those funds were working there through large financial institutions, but at the end of the day, it was the smaller financial institutions and CDFIs that really helped push that money out.

So let's start with you, Mr. Haskins. Can you talk about the role you played in the deployment of the PPP funds, but also some of the other things that you have been able to do with New Market Tax Credits, and what important role they play in putting together the pieces for some of these important investments?

Mr. HASKINS. Thank you again for allowing me to speak about the PPP Program. What we found is that Harbor, because of our role in the community, and a comfort level that many of these businesses have with our institution, there was a greater involvement that we were able to have than some of the other institutions. And, as my colleague, Andy Anderson, has pointed out, we are not just

there in the community, we are there with a real serious committed interest to the welfare of those communities.

And so we reached out to those that had not reached out to us to make sure that they were aware of the opportunity to proceed, many kind of automatically believe that when something is announced, they automatically know and understand how to process, but many don't. And, and so we understand that about our community. And so those who had not applied, we were able to get to apply.

And we can point specifically to businesses that are vital to the community, the stability of their communities that are there. One sector that often people miss in many urban areas, especially many areas that are older communities, is the role that the churches, the faith-based organizations play in those communities. Many of those organizations employ heavily out of their respective communities.

And so we were able to get many of the faith-based organizations to apply, and thereby keep employment and keep services which were daycare centers, job training centers, food preparation centers, et cetera, et cetera, we were able to keep those functional because appropriate dollars were allocated through the PPP Program for that purpose.

Switching over to New Market Tax Credits, because while it is not a direct funding program, it is significant because it focuses on low-income, distress communities, and it is formulaic in terms of how it is applied. But so many of these communities, both urban and rural have high distress community areas based on the demographics, et cetera.

What we have been successful in winning is nine different grounds totaling \$384 million, but it is leveraged over \$3 billion worth of development. And as a result of doing that because of the way that the definitional requirements are, employment is a part of it.

So one example, and I will say this, and be brief, one of the last science buildings we did in East Baltimore is 1812 Ashland Avenue. Through our working relationship we were able to get Starbucks to put a roaster, the only roast in Maryland, one of the first roasters in the Delmarva area, in a low-income community, and the folks employed in that roaster are from the community.

So we created new jobs that were not identifiable with that community. And so what we know and what we see is that through these programs, we can help leverage greater opportunities for economic revitalization and development. And that's just a simple example of one.

Senator VAN HOLLEN. Wow. That is a great example. And part of the success, I think, of this program. Thank you, thank you very much.

Mr. Anderson.

Mr. ANDERSON. Sure. Our local economy was hurt of course, by the pandemic, just like everybody else. A few restaurants that we have, their doors were closed for a certain amount of time. And then when they reopened, they were reopened to limited capacity. Churches and faith-based organizations are very significant in our area in helping where there are needs. Church offerings were sig-

nificantly down, and any donations made to these faith-based organizations were down.

Between the 2019 flood, we had an extensive flood in 2019 that lasted about 8 months, and the pandemic in 2020, our community was really, really hurt. Given the limited number of businesses we have, we were still able to make 218 PPP loans in an area where there is just over 5,000 people, and limited businesses, making these loans helped our county survive, tremendously helped our county to survive.

If there is a business in our two counties, most likely we financed that business. I can't think off the top of my head of any business that is existing right now we didn't finance. And businesses in small, rural counties have a hard time surviving, but we are there for them. And the PPP Program helped our area, and they all sought out Bank of Anguilla. And like Mr. Haskins said, our average loan was about \$23,000.

Most of our applicants had no idea how to fill these forms out or what information was needed. So we spent, literally spent hours on each loan, helping our customers out. And so between the PPP loans that we made all through the pandemic that has helped out so much, and with the money that we will have coming in through the Rapid Response Program, and then through—hopefully through ECIP that is going to be a game changer for our communities.

ADDITIONAL COMMITTEE QUESTIONS

Senator VAN HOLLEN. Well, let me thank all three of you. Thank you for your testimony. Most of all, thank you for what you are doing to help empower communities, and bring more opportunity to more people in small businesses.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. JANET L. YELLEN

QUESTIONS SUBMITTED BY SENATOR PATRICK LEAHY

COUNTY FUNDING UNDER THE AMERICAN RECOVERY PLAN ACT

Secretary Yellen, as we discussed during the hearing, the Department of the Treasury has chosen to rely on a definition from the Census Bureau to define what constitutes a county government. No such definition was specified in the American Recovery Plan Act, and the Treasury Department's arbitrary decision to apply it has led to an unacceptable result in Vermont.

Question 1. The Vermont Congressional Delegation, as well as the State of Vermont, have expressed disappointment in the Treasury Department's response to these concerns. What steps is the Department taking to work with the State of Vermont to ensure that Vermonters receive the dollars provided under the ARPA, as directed by Congress?

Answer. On July 30, Treasury issued guidance on CLFRF funds for counties that are not units of general local government (non-UGLG). In this guidance, all of Vermont's 14 counties have been classified as non-UGLG counties. As such, the funds allocated to Vermont's counties will be made available to the State of Vermont for payment to its units of general local government within those counties.

Question 2. In your testimony, you indicated your intent to work with us to find a resolution. It does not help the people of Vermont to have the money Congress appropriated sitting in the Treasury here in Washington. Please confirm that you

have found a resolution so that the funds can be allocated to the State, where the money can be used for the purposes appropriated.

Answer. Yes, please see the guidance referenced in the previous question.

AFFORDABLE HOUSING

Vermont has used significant portions of its State and Local Fiscal Recovery Funds from the CARES Act and the American Rescue Plan Act to support housing construction. The State hopes to ensure that Vermonters can find affordable housing, including the more than 2,000 Vermonters currently being sheltered in hotels to prevent homelessness. Vermont has a strong history of building affordable housing in areas of opportunity. However, recent Treasury guidance on eligible uses of State and local relief money does not offer clear guidance for whether this funding can be used to construct affordable housing in areas of opportunity, leading to confusion among Vermont affordable housing groups.

The guidance states that “Treasury will presume that certain types of services are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, recipients should be able to support their determination for how the pandemic disproportionately impacted the populations, households, or geographic areas to be served.” I am concerned by this guidance for a number of reasons.

Not explicitly allowing affordable housing construction, acquisition or rehabilitation outside of low-income areas (QCTs) runs counter to the public policy consensus and mandate to deconcentrate poverty and create affordable homes in areas of opportunity. This limitation threatens to further segregation and discrimination.

Question 3. Will you revise Treasury guidance to ensure that spending State and Local Fiscal Recovery Funds does not undermine long-standing housing best practices and policies regarding construction of affordable housing in areas of opportunity?

Answer. The Treasury Department is deeply committed to supporting the creation of and addressing affordable housing needs under each of the programs it administers under the American Rescue Plan Act. Treasury’s Interim Final Rule for the State and Local Fiscal Recovery Fund (SLFRF) encourages recipients to prioritize services for low-income individuals and families hard-hit by the pandemic, including those living in Qualified Census Tracts (QCTs).

The Interim Final Rule explicitly allows affordable housing development to increase the supply of affordable and high-quality living units as an eligible service for SLFRF. Recognizing the disproportionate impacts of the pandemic to low-income communities, affordable housing is automatically eligible when provided in a QCT, to families living in QCTs, or when these services are provided by Tribal governments. In addition, recipients may also provide these services to other populations, households, or geographic areas that they identify as disproportionately impacted by the pandemic. This provides a simple and expeditious way for governments to invest in disadvantaged communities, while giving them the flexibility to also identify and serve other populations, households, or geographic areas. For example, a relatively higher-income city could determine that its low-income residents faced disproportionate impacts and develop affordable housing targeted to these households; this could include affordable projects in higher-income neighborhoods near jobs and well-resourced schools.

Treasury’s comment public period for the Interim Final Rule has just closed. As part of its review process, Treasury will carefully consider public comments and consult with other Federal agencies as relevant in order to support the development of affordable housing in communities across the country.

The data used to determine Qualified Census Tracts does not take into account other measures of need used by other Federal or State agencies, including areas identified in State and local housing plans, Difficult Development Areas determined by the Department of Housing and Urban Development (HUD) or Rural Economic Area Partnership Zones determined by the U.S. Department of Agriculture (USDA).

Question 4. Will you commit to working with your counterparts at other Federal agencies to ensure that areas of identified need beyond Qualified Census Tracts can benefit from affordable housing investment via State and Local Fiscal Recovery Funds?

Answer. The Interim Final Rule recognizes that the COVID-19 public health emergency disproportionately impacted certain communities, including in QCTs. In addition, the Interim Final Rule provides a framework for recipients to identify other populations that were disproportionately impacted, including considerations for identifying those populations. This approach helps provide recipients with flexibility to respond to their communities.

Treasury is carefully reviewing comments received on the Interim Final Rule, including on other communities disproportionately impacted.

Question 5. Will you commit to engaging on the ground stakeholders to establish a simple process by which recipients of State and Local Fiscal Recovery Funds can determine additional disproportionately impacted areas and document these decisions for the Treasury?

Answer. The Interim Final Rule recognizes that the COVID-19 public health emergency disproportionately impacted certain communities, including in QCTs. In addition, Interim Final Rule provides a framework for recipients to identify other populations that were disproportionately impacted, including considerations for identifying those populations. This approach helps provide recipients with flexibility to respond to their communities.

Treasury is carefully reviewing comments received on the Interim Final Rule, including on other communities disproportionately impacted. It is well-documented that lower-income households have been disproportionately impacted by the COVID-19 pandemic, but as part of the Interim Final Rule comment review process, Treasury will carefully consider public comments and consult with other Federal agencies as relevant in order to offer clarity on how a State can demonstrate this disproportionate impact.

It is well-documented that lower-income households have been disproportionately impacted by the COVID-19 pandemic, but current Treasury guidance offers no clarity on how a State can demonstrate this disproportionate impact. This creates ambiguity that will divert administrative capacity and delay urgently-needed new housing.

Question 6. Will the department consider revising guidance to provide clarity that housing affordable for households at or below 100 percent of the Area Median Income is an eligible use of State and Local Fiscal Recovery Funds, if it is located in an area where the need for housing has been shown?

Answer. The public comment period on Treasury's Interim Final Rule recently closed on July 16. Treasury is carefully reviewing comments received and will take public feedback into account when developing the final rule.

The majority of homes in Vermont are owned rather than rented, but Treasury guidance on the provision of affordable housing with State and Local Relief Fund money makes no mention of providing support to help struggling low and moderate income households become homeowners.

Question 7. Will you commit to revising Treasury guidance to allowing State and Local Fiscal Recovery Funds to be spent on homeownership for low- and moderate-income families, such as down payment assistance and new construction of affordable homes for ownership?

Answer. The public comment period on Treasury's Interim Final Rule recently closed on July 16. Treasury is carefully reviewing comments received and will take public feedback into account when developing the final rule.

TAXPAYER SERVICES

For many Americans, especially those in rural States like Vermont, the IRS is one of the main faces of the Federal Government where communities have the ability to interact with the agency on a regular basis. Countless taxpayers without Internet service rely on phone or in-person IRS services to answer questions and resolve problems with their returns. Before the pandemic, the IRS only answered 31 percent of the phone calls it received and taxpayers who managed to get through waited on hold for an average of 38 minutes.

With all the tremendous work the IRS is doing to provide coronavirus relief and roll out the new child tax credit, along with the 18 million or so unprocessed tax returns, taxpayers have even more questions for the IRS. Unfortunately, the IRS has become nearly impossible to reach, either by phone or in-person as the number of in-person Taxpayer Assistance Centers continues to decline. The agency's growing reliance on digital tools and virtual assistance centers is only amplifying the digital inequalities across rural America.

Question 8. How will the Department ensure that the tax assistance services provided by the IRS are accessible in rural America?

Answer. The President's Budget includes resources to improve the experience of all taxpayers as they interact with the IRS, making sure that customer service representatives stand ready to answer the phones when they call with questions and that they get access to the tax credits, refunds, and other benefits that they are entitled to. This includes investing in Taxpayer Assistance Centers across the country, including in rural areas where their presence is vitally needed. In addition, as you know, the President's budget proposals are estimated to generate over \$700 billion in additional tax revenue over the course of the next decade, both through investing in enforcement focused on high-income, partnership, and corporate misreporting—but also through a meaningful investment in taxpayer services, which impact voluntary compliance.

Question 9. How will the Department ensure that the tax assistance services provided by the IRS remains accessible to all Americans, even the 19 million Americans who lack sufficient access to affordable, high-quality broadband, as the agency continues to virtualize its services?

Answer. In order for the IRS to have the capacity to ensure that tax assistance services are accessible to all Americans, it needs resources to invest in the provision of these essential services. That means updating outdated technological infrastructure to ensure that the agency can communicate with taxpayers in an efficient and timely manner—but it also means investing in telephone customer service and at Taxpayer Assistance Centers. The President's budget includes resources to improve the experience of all taxpayers as they interact with the IRS, making sure that customer service representatives stand ready to answer the phones when they call with questions and that they get access to the tax credits, refunds, and other benefits that they are entitled to.

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

1. Many smaller municipalities across the Nation, including Dover, Delaware, participate in the CDBG program to improve the housing and other aspects of life for residents. Many of these municipalities, because they are of less than 50,000 population and are part of a designated metropolitan area, were adversely impacted by the decision to use the CDBG formula to allocate the American Rescue Act's funds. As a result, the City of Dover received far less funding (\$8.6 million v. approximately \$20 million) than it would have if the allocation was population-based, as applied to Non-Metropolitan municipalities (Non Entitlement Units).

Question 1a. What regulatory or statutory changes would be needed for these municipalities to receive at least the same level of funding that would have been received if the approach used for NEUs was applied?

Answer. The American Rescue Plan Act defines, for purposes of the Coronavirus Local Fiscal Recovery Fund (CLFRF), metropolitan cities to include those that are currently metropolitan cities under the Community Development Block Grant (CDBG) program, as well as those cities that relinquish or defer their status as a metropolitan city for purposes of the CDBG program. This definition of a metropolitan city is provided in statute. To arrive at the universe of eligible metropolitan cities for CLFRF, Treasury consulted with the Department of Housing and Urban Development, which administers the CDBG program. The allocations to metropolitan cities are based on a number of factors identified in the statute implementing the CDBG program, including population. The allocations to NEUs are based entirely on population numbers.

2. In the roll out of the \$1,400 Economic Impact Payments (EIP), thousands of households who were eligible for the payment did not receive it. My casework staff have been told by IRS staff that the agency is trying to pay these people over the course of this summer, but if it is unsuccessful, taxpayers can claim the missing EIP on their 2021 tax returns, similar to what people had to do for missing EIPs on their 2020 tax return.

Question 2a. What is the status of the IRS trying to pay eligible taxpayers the Economic Impact Payments?

Answer. Shortly after enactment of the American Rescue Plan, the Treasury Department, Bureau of the Fiscal Service, and the IRS disbursed more than 90 million third-round Economic Impact Payments, totaling more than \$242 billion. As of July 21, approximately 171 million payments have been disbursed to eligible Americans, which represent a total amount of more than \$400 billion.

For example, during that week, approximately 1.3 million payments were disbursed, which represented a total amount of approximately \$2.6 billion. These payments were disbursed to eligible individuals for whom the IRS previously did not have information to issue a third-round Economic Impact Payment but who recently filed a tax return. This payment batch also included additional ongoing supplemental payments for people who earlier this year received initial third-round Economic Impact Payments based on their 2019 tax returns, but who are eligible for a new or larger payment based on their recently processed 2020 tax returns. In the last six weeks, more than 900,000 of these “plus-up” payments have been disbursed, with a value of more than \$1.6 billion. In all, more than 9 million of these supplemental payments have been disbursed this year, worth approximately \$18.5 billion.

The Treasury Department, Bureau of the Fiscal Service, and the IRS will continue to disburse third-round Economic Impact Payments on a weekly basis through December 2021. If eligible individuals do not receive the full amount of third-round Economic Impact Payment to which they are eligible, they can receive the remaining amount by claiming a 2021 Recovery Rebate Credit on their 2021 tax return.

The IRS has provided an online Non-Filer tool to allow individuals who were not required to file (and have not filed) a tax return for 2020 to file a simplified tax return.¹ This simplified tax return allows eligible individuals to register for advance Child Tax Credit payments and a third-round Economic Impact Payment, as well as claim the 2020 Recovery Rebate Credit. Free tax return preparation also is available for qualifying people.²

Individuals can check the Get My Payment tool on IRS.gov to view the status of their payments.³ An extensive library of information regarding the third round of Economic Impact Payments also is available on IRS.gov.⁴

Question 2b. How is the IRS specifically helping people experiencing homelessness get Economic Impact Payments?

Answer. Throughout 2021, the IRS has worked to help homeless individuals receive all of the Economic Impact Payments to which they are eligible by conducting a national public outreach campaign and leveraging partnerships with organizations that work with homeless communities. These efforts have been applied to ensure that the individuals in these communities receive their third-round Economic Impact Payments, the 2020 Recovery Rebate Credit, the Earned Income Tax Credit, and 2021 advance payments of the Child Tax Credit.

Similar to the first and second rounds of Economic Impact Payments, the IRS has continued to undertake a sweeping outreach and education campaign to help Americans understand their eligibility for a third-round Economic Impact Payment and ensure that those who normally do not have a tax return filing obligation are aware of their eligibility. The IRS continues to share information nationwide, reaching stakeholders inside and outside of the tax community. In addition to providing information materials to news media and on social media and websites, this national public awareness campaign has included IRS partnerships with a wide spectrum of community and professional groups. Throughout this campaign, the IRS has reached homeless organizations, food banks, and social service groups, as well as national, State, and local organizations (and associations to which these organizations belong).

The IRS continues to hold special weekend summer events to help people who do not normally file taxes receive advance Child Tax Credit payments and Economic Impact Payments. During these events, with the help of a new Non-filer Sign-up Tool on IRS.gov,⁵ volunteers, community stakeholders, and IRS employees provide assistance to eligible families in underserved communities.⁶ The new Non-filer Sign-up Tool is an update of last year’s IRS Non-filer Tool on IRS.gov, and allows individuals to complete and file a simplified tax return to

¹ See Child Tax Credit Non-filer Sign-up Tool, available at <https://www.irs.gov/credits-deductions/child-tax-credit-non-filer-sign-up-tool>.

² See Free Tax Return Preparation for Qualifying Taxpayers, available at <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>.

³ See Get My Payment, available at <https://www.irs.gov/coronavirus/get-my-payment>.

⁴ See Coronavirus Tax Relief: Economic Impact Payments, available at <https://www.irs.gov/coronavirus/economic-impact-payments>.

⁵ See Child Tax Credit Non-filer Sign-up Tool, available at <https://www.irs.gov/credits-deductions/child-tax-credit-non-filer-sign-up-tool>.

⁶ See <https://www.irs.gov/newsroom/irs-holds-additional-weekend-events-july-23-24-to-help-people-with-child-tax-credit-payments-and-economic-impact-payments>.

register for advance Child Tax Credit payments and the third-round Economic Impact Payment, as well as claim the 2020 Recovery Rebate Credit.

3. In May, the Department of the Treasury issued an interim final rule to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA). I've heard concerns from housing advocates in Delaware that State, county, and local governments are hesitant to utilize ARPA funds for the construction of affordable housing.

Question 3a. From page 35–36 of the interim final rule, how can a government define and demonstrate “disproportionate impact” for the eligible service of “Affordable housing development to increase supply of affordable and high-quality living units?”

Answer. The Interim Final Rule explicitly allows affordable housing development to increase the supply of affordable and high-quality living units as an eligible service for SLFRF. Recognizing the disproportionate impacts of the pandemic to low-income communities, affordable housing is automatically eligible when provided in a QCT, to families living in QCTs, or when these services are provided by Tribal governments. However, recipients may also provide these services to other populations, households, or geographic areas that they identify as disproportionately impacted by the pandemic.

This provides a simple and expeditious way for governments to invest in disadvantaged communities, while giving them the flexibility to also identify and serve other populations, households, or geographic areas. Treasury's comment public period for the Interim Final Rule has just closed. As part of its review process, Treasury will carefully consider public comments and consult with other Federal agencies as relevant in order to support the development of affordable housing in communities across the country.

QUESTION SUBMITTED TO NOEL ANDRÉS POYO, DEPUTY ASSISTANT SECRETARY FOR COMMUNITY AND ECONOMIC DEVELOPMENT, DEPARTMENT OF THE TREASURY

4. I appreciate the fiscal year 2022 budget request increases funding for the CDFI Fund and requests \$2 million to continue funding the Economic Mobility Corps program that I helped create. This new program in partnership with the Corporation for National and Community Service (CNCS) is meant to increase the talent and human capacity at CDFIs and help cultivate the next generation of community development workforce leaders.

Question 4a. When will the first awards be announced?

Answer. On August 11th, the CDFI Fund and AmeriCorps announced \$2.5 million in awards for three CDFIs through the inaugural round of the AmeriCorps CDFI Economic Mobility Corps (EMC) Program.

Question 4b. What impact do you think the program will have on the CDFI industry?

Answer. Economic Mobility Corps provides an opportunity to train the next generation of community development finance professionals. It offers a hands-on experience by offering national service members the chance to work in a Community Development Financial Institution to provide substantive financial counseling, planning and literacy activities in distressed and underserved communities across the Nation. The communities served by EMC members will benefit from the increased capacity of CDFIs receiving EMC funding to provide critical financial services. As the community and economic development fields grows in scale to meet the challenge of producing greater and more equitable growth in our economy, there will be a need to scale programs like EMC to build a pipeline of qualified professionals.

Question 4c. What recommendations do you have to Congress to improve or expand the program?

Answer. Currently, the EMC program is funded as a set-aside in the CDFI Fund's appropriations. Treasury recommends consultation with AmeriCorps on opportunities to expand or improve the program.

QUESTIONS SUBMITTED TO HON. JANET L. YELLEN

QUESTIONS SUBMITTED BY SENATOR JOHN BOOZMAN

1. The Federal Insurance Office (FIO) recently issued a request for information (RFI) for a study on the affordability and availability of auto insurance. The RFI

notes that the office is undertaking a “holistic analysis” of “disparities in premium pricing” and “the impact of non-driving underwriting factors.”

The auto insurance industry is both one of the most highly competitive and closely regulated industries in the country. State insurance commissioners are already empowered to monitor their markets for unfair pricing or discrimination. The last thing I would want to see is the excellent work of Arkansas Insurance Commissioner McClain being second-guessed by the Treasury Department applying standards, analyses, or methodologies which are wholly unsuited in an insurance context.

Question. Is it Treasury’s intention to apply a disparate impact standard in its analysis of auto insurance pricing? What kind of methodology will FIO apply to analyzing data and information submitted for the RFI? What is the ultimate objective of the RFI?

Answer. The Federal Insurance Office (FIO) is authorized under the Dodd-Frank Act to, among other things, monitor the extent to which traditionally underserved communities and consumers, minorities, and low-and moderate income persons have access to affordable insurance products. The U.S. personal auto insurance sector is a significant part of the U.S. economy, both in terms of its aggregate size and its impact on individual consumers and their economic well-being. FIO plans to undertake a holistic analysis of the personal auto insurance business, focusing on: (1) affordability of coverage and disparities in premium pricing, with particular attention to traditionally-underserved communities and the impact of non-driving factors; and (2) market evolution and structural shifts in the conduct of the business, including the effects of technology and the use of big data, as well as changes related to the COVID-19 pandemic. As the next part of its work on auto insurance, FIO will be reviewing the comments received in response to the request for information. FIO looks forward to engaging with interested stakeholders, including your office, on its work relating to personal auto insurance.

2. The President’s budget request includes a proposal to require financial institutions to report data on all inflows and outflows over just \$600, a significantly lower reporting threshold than the current \$10,000, and would apply to all deposit, loan, and investment accounts.

I have two concerns. First, this presents serious privacy issues for taxpayers. The IRS had a high-profile leak just last month, and this would collect the financial information of most Americans. Asking the IRS to secure that much data is a huge job for the Federal Government.

I’m also concerned that Treasury would have “broad authority” to issue implementing regulations. This proposal would impose additional costs and complexities on some of our smallest banks, which serve as the backbone to our small business community. That burden, coupled with broad flexibility for Treasury and the IRS to design new reporting requirements, creates the potential for regulatory overreach.

Question. Are Treasury and the IRS equipped to securely handle that much data? And if this proposal becomes law, can you commit to both considering existing reporting requirements before issuing regulations and ensuring that Treasury won’t place onerous, duplicative burdens on financial institutions?

Answer. The Administration has designed this regime with taxpayer privacy concerns front of mind. That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration’s framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reporting. The proposal also includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually. In designing this proposal, Treasury spent a lot of time with small financial institutions to think about minimizing burdens associated with a new regime, and we are continuing to work with them to create a simple, implementable regime.

3. Last year, Congress passed a bipartisan appropriations bill that created a \$25 billion Emergency Rental Assistance program. Earlier this year, the partisan American Rescue Plan created a second round of \$21 billion in rental assistance, and unfortunately changed the parameters and safeguards for how the funding can be used. In total, that’s roughly \$46 billion in rental assistance.

What concerns me is that I’ve heard from constituents and colleagues that Treasury hasn’t been able to provide detail about how and where that money is being spent and that, as a result, States are having difficulties setting up the program.

Question. Can you commit to working with Congress to address any potential mismanagement of the emergency rental assistance program, and any other potential areas of mismanagement around Treasury-administered programs?

Answer. Treasury is committed to working with Congress and oversight entities to ensure the integrity and effectiveness of the Emergency Rental Assistance Program, as is the case with all programs that the Department administers. Treasury has rapidly distributed appropriated funding to States, Territories, Local governments and Tribes, consistent with the statute. Treasury has also taken swift action to develop program rules that provide grantees with the flexibility that they need to meet the pressing need for rental assistance in their communities, while protecting program integrity. Treasury has been transparent, publishing data about program performance on a monthly basis. We encourage reporting any specific and credible reports of fraud, waste and abuse to the Treasury Office of the Inspector General.

QUESTIONS SUBMITTED BY SENATOR JOHN KENNEDY

SAVINGS BONDS

1. As of April 30, 2021, approximately 80 million savings bonds, totaling \$29 billion, have matured but have not been redeemed.

Question. How many bonds are totally unrecoverable, damaged, or lost?

Answer. Bond owners, not Treasury, have possession and would know the condition of unredeemed paper savings bonds. Treasury has a process in place that allows bond owners to claim lost or destroyed bonds, including bonds destroyed in natural disasters or other circumstances. Last year, for example, Treasury processed 5,600 claims worth over \$50 million. On average, Treasury processes approximately 6,900 claims worth \$59 million per year. During the claims examination process, Treasury confirms rightful owners to the bonds. Bond owners can use TreasuryHunt.gov to search for information about savings bonds that may have been lost or damaged.

SANCTIONS

2. In May 2021, the Biden Administration waived mandatory new sanctions on Nord Stream II AG, its chief executive officer, and corporate officers; Nord Stream II AG is a Swiss-based company that Russia's State-owned Gazprom established to construct and operate the pipeline.

Question. What steps are you taking to ensure that unraveling of these sanctions will not undermine the European energy independence?

Answer. The Department of the Treasury is committed to countering Russia's use of energy as a weapon to achieve aggressive political ends.

On May 21, 2021, Treasury implemented sanctions imposed by the Department of State pursuant to the Protecting Europe's Energy Security Act of 2019, as amended (PEESA), by including additional Nord Stream 2-related entities and vessels on Office of Foreign Assets Control (OFAC) sanctions lists.

In addition to implementing State Department sanctions pertaining to Nord Stream 2, Treasury has worked with the State Department to engage directly with governments and entities involved with the Nord Stream 2 pipeline to explain the sanctions risks pursuant to multiple U.S. sanctions authorities.

Treasury is supporting the Administration's efforts to obtain commitments from allies to strengthen European energy security and the security of Ukraine and Central and Eastern Europe. In the July 21, 2021 Joint Statement of the United States and Germany on Support for Ukraine, European Energy Security, and our Climate Goals, for example, Germany committed to utilizing all available leverage to facilitate an extension of up to 10 years to Ukraine's gas transit agreement with Russia; committed to taking action and pressing for effective measures at the European level, including sanctions, should Russia attempt to use energy as a weapon or commit further aggressive acts against Ukraine; committed to establishing and administering a Green Fund for Ukraine to support Ukraine's energy transition, energy efficiency, and energy security; committed to expand its engagement with the Three Seas Initiative to strengthen energy security in Central and Eastern Europe; and underscored its support for the European Union's Third Energy Package of diversity and security of supply.

Treasury is also engaged with the Government of Ukraine to implement long outstanding anti-corruption and good governance reforms for the long-term via-

bility and efficiency of Ukraine's energy sector, and to reduce Russia's ability to manipulate the country's energy infrastructure for political gain.

More broadly, Treasury takes seriously the range of Russia's harmful foreign activities and has developed a tailored approach that leverages all of our tools and authorities to impose costs upon those acting on or behalf of the Kremlin against U.S. interests while mitigating the potential unintended economic consequences on partners and allies. Under the Biden Administration, Treasury has taken significant action to counter Russian malign influence, including by taking action under Russia-related Executive Order (E.O. 14024), which was signed by President Biden on April 15, 2021, to sanction several technology firms supporting Russian intelligence services and to impose new prohibitions on Russian sovereign debt.

3. Recent reports indicate the Biden Administration is reevaluating how the U.S. imposes sanctions.

Question a. Will you commit to working with Congress on these changes?

Answer. As I discussed during my confirmation hearing, I've asked Deputy Secretary Adeyemo to lead a review of our use of economic and financial sanctions. This Treasury-led review is focused on identifying successes, opportunities for change or improvements, and steps for implementation, so that our use of sanctions remains relevant, rigorous, and fit to purpose, effectively advancing the national security, foreign policy, and economic aims of the United States. Congress is an important part of this process. Our team has and will continue to engage with Congress as we carry out the review.

Treasury looks forward to continuing to work with Congress on the use of the sanctions tool.

Question b. What steps are you taking to ensure these changes do not undermine U.S. national security?

Answer. Economic and financial sanctions are an important tool to advance U.S. national security, foreign policy, and economic objectives. Treasury is committed to working intensively to use sanctions to advance an array of strategic priorities, from pushing back on Russian threats, to addressing challenges from China, to combatting terrorist threats and human rights abusers.

The sanctions review that Treasury is undertaking is not focused on individual sanctions programs or individual designations, and the determination to apply sanctions to a particular national security, foreign policy, or economic challenge should be made in the context of a broader U.S. strategy to address that threat.

SUBCOMMITTEE RECESS

So with that, this hearing is adjourned.

[Whereupon, at 3:56 p.m., Wednesday, June 23, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

SUBMITTED MATERIALS FOR THE HEARING RECORD

BANK OF ANGUILLA ROLLING FORK, MISSISSIPPI

BANK OF ANGUILLA AWARDS

Awardee	City	State	Year	Program	Amount
Bank of Anguilla	Anguilla	MS	2021	RRP	\$1,826,265
Bank of Anguilla	Anguilla	MS	2020	BEA	202,898
Bank of Anguilla	Anguilla	MS	2019	BEA	245,547
Bank of Anguilla	Anguilla	MS	2018	BEA	233,244
Bank of Anguilla	Anguilla	MS	2017	BEA	75,564
Bank of Anguilla	Anguilla	MS	2016	BEA	227,282
Bank of Anguilla	Anguilla	MS	2015	BEA	265,496
Bank of Anguilla	Anguilla	MS	2014	BEA	355,000
Bank of Anguilla	Anguilla	MS	2013	BEA	90,000
Bank of Anguilla	Anguilla	MS	1999	BEA	3,750

LETTER FROM TRACY HARDEN

Our hometown bank, Bank of Anguilla, means to me stability, action, care, and love. I've seen them back our whole community during some difficult years. It is always a comfort to know that you can go to anybody at the bank for help, but especially being able to call your president of you bank and watch him work things out for you. We've struggled through a couple of hard years, not just me, but the whole community. All of us, the rich and the poor, have struggled. We've had it rough but there has never been a time we could not call on our bank to help us. Other business owners and I, didn't know how we would fare after all of this flooding, nor how we would come back from it all. After the devastating flooding, corona hit us. We started hearing about the PPP loans and the potential benefit to business owners. All it took was a quick call to the bank and they worked the loans all out for us. Not only did they make sure we had the loans to keep our employees working but the bank as a whole would go out of its way to support our business. They did this by feeding their staff lunch from my restaurant or buying lunch in town for people in town who were having it rough. Minorities were hit especially hard being that a lot of them worked with the farmers and once the farmers couldn't plant, they weren't able pay their employees. Bank of Anguilla stepped in and provided small loans until they could get on their feet again. All of that just means the world to us. We love our little town and community. Without our bank, I just don't know where we would be.

Regards,

Tracy Harden



Deer Creek Pilot

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 H. Ray Mosby, Editor & Publisher

DEER CREEK PILOT TESTIMONIAL

Since 1993, I have owned, edited, published, and served as chief cook and bottle washer for the Deer Creek Pilot, a 144-year-old weekly newspaper that is the only news organization of any type or size that gives the first flying flip about Sharkey and Issaquena counties in Mississippi's South Delta.

There are reasons for that.

I put out a newspaper in the two smallest, poorest counties located within the generally considered poorest state in the nation. There are few people, fewer still who read to speak of, and hardly any advertisers—that is not exactly the most sterling model for publishing success.

It has always been a challenge, but in the wake of recent year disasters—first a flood, then a pandemic—it has become increasingly more challenging.

We are pretty good at what we do. My little paper is one of the most awarded and highly regarded of its size in the state. We have twice been chosen the state's best small paper. We have done what no other small weekly has ever done—win the state's highest journalism award—and we have done it twice.

And honorable senators, I am here to tell you, absent the first hint of hyperbole—we could not have done any of that without the consistently unwavering support of the Bank of Anguilla. My paper has continuously published since 1877, but it would not be publishing today without the Bank of Anguilla. Whether it was a cash flow loan during periods when everybody who owed us was hurting too, or it was the unmentioned subtle increase in advertising to help us out a bit, the bank was there.

And the same can be said for literally every other business and a whole lot of the ordinary folks in Rolling Fork, Mississippi, as well. There are children in Sharkey and Issaquena counties—black and white—who have been educated because of the Bank of Anguilla. There are children and senior citizens—black and white—in Sharkey and Issaquena counties who have not gone to bed hungry because of the Bank of Anguilla. There are families with roofs over their heads and vehicles in which to go to-and-from work because of the Bank of Anguilla.

And if that is not the very definition of a community bank, I do not know what is.

The people that work there and the smaller handful of people at my paper know each other—by name. And we are not special, the same's true for everybody in town.

People helping people. Neighbors helping neighbors. Missing a lot of resources, absent a lot of options, be it a community paper or a community bank, or often enough the two working together, we somehow manage to find a way to get done what must be done.

Because we care about each other. Because we are community.

Respectfully submitted,

H. Ray Mosby, Jr.
 Editor & Publisher
 Deer Creek Pilot

**HARBOR BANK OF MARYLAND
BALTIMORE, MARYLAND**

HARBOR BANK AND AFFILIATES AWARDS

Awardee	City	State	Year	Program	Amount
Harbor Bank of Maryland Community Development Corporation.	Baltimore	MD	2021	RRP	\$526,000
Harbor Bank of Maryland ...	Baltimore	MD	2021	RRP	1,826,265
Harbor Bank of Maryland ...	Baltimore	MD	2019	CDFI-FA	649,000
Harbor Bank of Maryland Community Development Corporation.	Baltimore	MD	2019	CDFI-TA	125,000
Harbor Bankshares Corporation.	Baltimore	MD	2019	NMTC	50,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2018	BEA	96,300
Harbor Bankshares Corporation.	Baltimore	MD	2018	NMTC	35,000,000
Harbor Bankshares Corporation.	Baltimore	MD	2017	NMTC	55,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2017	BEA	233,389
Harbor Bankshares Corporation.	Baltimore	MD	2016	NMTC	70,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2016	BEA	112,489
Harbor Bank of Maryland ...	Baltimore	MD	2015	BEA	90,771
Harbor Bank of Maryland ...	Baltimore	MD	2014	BEA	355,000
Harbor Bankshares Corporation.	Baltimore	MD	2013	NMTC	33,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2013	BEA	323,000
Harbor Bank of Maryland ...	Baltimore	MD	2012	BEA	415,000
Harbor Bank of Maryland ...	Baltimore	MD	2011	BEA	500,000
Harbor Bankshares Corporation.	Baltimore	MD	2010	NMTC	21,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2010	BEA	517,243
Harbor Bankshares Corporation.	Baltimore	MD	2009	NMTC	20,000,000
Harbor Bankshares Corporation.	Baltimore	MD	2008	NMTC	50,000,000
Harbor Bankshares Corporation.	Baltimore	MD	2003	NMTC	50,000,000
Harbor Bank of Maryland ...	Baltimore	MD	2003	BEA	663,818
Harbor Bank of Maryland ...	Baltimore	MD	2002	BEA	231,000
Harbor Bank of Maryland ...	Baltimore	MD	2001	BEA	229,053
Harbor Bank of Maryland ...	Baltimore	MD	2000	BEA	126,690
					\$391,020,018

THE HARBOR BANKSHARES CORPORATION

Harbor Bank of Maryland (CDFI)

- Founded in 1982
- MD Chartered Commercial Bank
- Minority Depository Institution
- 7 Full-Service Branches
- Broad Product Offerings for Businesses and Individuals
- SBA 7(a) Lender
- 13x Bank Enterprise Award ("BEA") Winner for Demonstrated Lending and Investment in Low-Income Communities
- Locally Owned and Managed
- \$350 Million in Assets
- FDIC designated MDI

Harbor Bank of Maryland Community Development Corporation (CDFI)

- Founded in 2001
- 509(c)(2) Public Charity
- Emerging Developer Technical Assistance Program
- 2x US SBA PRIME Awardee
- JPMorgan partner and regional leader on Entrepreneurs of Color Fund
- Minority Pre-Seed Venture Capital fund with TEDCO
- EB-5 Immigrant Investor Regional Center subsidiary with MD, DC, VA, WV, and PA footprint
- Operating 2 business accelerator programs annually within our coworking center
- Advising development across Baltimore

Harbor Bankshares Community Development Entity (CDE)

- Founded in 2001
- 9x Winner of \$384 Million Total in New Market Tax Credit Allocations
- Manager of 30+ Funds with Flawless Track Record
- Catalyzing 4,000+ Jobs and 3.0Bn in leveraged investment in Low-Income Census Tracts

Harbor Bankshares Capital Corporation

- Founded in 2018
- Private Equity Financial Advisory
- Asset Management
- \$92 Million in leveraged lending originations in Q4 '20
- Specialized Small Business Investment Company ("SSBIC") Rights
- Opportunity Zone Advisory Practice awarded by the US MBDA