

THE FEDERAL RESERVE'S
SEMI-ANNUAL MONETARY POLICY REPORT

HEARING
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
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THE FEDERAL RESERVE'S SEMI-ANNUAL MONETARY POLICY REPORT

Tuesday, June 24, 2025

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

The committee met, pursuant to notice, at 10:03 a.m., in room 2128, Rayburn House Office Building, Hon. French Hill [chairman of the committee] presiding.

Present: Representatives Hill, Lucas, Huizenga, Wagner, Barr, Williams of Texas, Loudermilk, Davidson, Rose, Steil, Stutzman, Meuser, Kim, Fitzgerald, Flood, Lawler, De La Cruz, Nunn, McClain, Salazar, Downing, Haridopolos, Moore, Waters, Velázquez, Sherman, Meeks, Scott, Lynch, Himes, Foster, Vargas, Gottheimer, Gonzalez, Casten, Pressley, Tlaib, Torres, Garcia, Williams of Georgia, Pettersen, Fields, Bynum, and Liccardo.

Chairman HILL. The Committee on Financial Services will come to order.

Without objection, the chair is authorized to declare a recess at any time.

This hearing is entitled, "The Federal Reserve's Semi-Annual Monetary Policy Report."

Without objection, all members will have 5 legislative days within which to submit extraneous material to the chair for inclusion in the record.

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

OPENING STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REP- RESENTATIVE FROM ARKANSAS

Good morning. I want to thank Chair Powell for joining us today. We appreciate your time and look forward to hearing more about the Federal Reserve's outlook on economic and monetary policy. There has been a lot of rhetoric lately, particularly from our friends across the aisle, suggesting that Republicans in the Congress are steering our economy toward a recession. However, the facts tell a different story. Four months into the Trump Administration, American workers and taxpayers are already benefiting from a strong, resilient economy. The Fed noted that growth is solid, and even former Fed officials have dismissed the idea of a recession this year or is near. Compare that to the previous Administration. Under President Biden, Americans endured the highest inflation rates in decades, driven by reckless spending and misguided policy decisions. Now, under the Trump Administration, inflation has de-

clined to levels lower than those seen before President Biden's flawed so-called American Rescue Plan, and real wages are finally meaningfully growing again.

There is always some economic uncertainty when the United States engages in difficult negotiations necessary to secure more open markets for American goods and services, but that uncertainty is not without a strategy, a strategy of balanced lower regulatory costs, pro-growth tax policy, and controls on Federal spending, all combined with trade successes offer economic opportunity. One Fed official, Governor Waller, has outlined about how a balanced approach, combining potential tax rates with targeted tariffs, could foster strong economic growth. Let me be clear on that point. We can fight to open markets, break down non-tariff barriers while achieving solid economic growth at the same time. That is President Trump's goal, just as it was for President Reagan in the 1980s.

I also want to commend you, Mr. Chairman of the Federal Reserve, for taking positive steps to keep politics out of the Fed, including disbanding four internal climate-related committees and making the Fed leaner and more efficient by rightsizing your workforce across the system. These moves reflect a commitment to efficiency at the Federal Reserve. I am also pleased that Governor Miki Bowman has been confirmed as vice chair for supervision at the Board. Governor Bowman has been a tireless advocate for community banks, and this committee is eager to work with her on policies that enhance our banks' ability to provide greater access to capital and services for our families and businesses across our Nation. I look forward to today's hearing, and I yield back the balance of my time.

I now recognize Mr. Foster on behalf of the ranking member for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. BILL FOSTER, RANKING MEMBER OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM ILLINOIS

Mr. FOSTER. Thank you, and I will save everyone a little bit of time, Chair. Ranking Member Waters was unavoidably detained. I will just say a little bit, that the markets have kind of spoken on their confidence in the Trump economy. Probably the single simplest metric of that is that the U.S. dollar is down roughly 10 percent, okay? This is not a small thing, and it has caused countries around the world to question the primacy of the U.S. dollar going forward. This is one of the worst market responses, I think, to the chaos that we are seeing, the tariffs that are very destructive to international trade, and just everything that the markets are seeing and trying to suffer through. I know I am contacted all the time by businesses in my district, manufacturing businesses that cannot even start thinking about investing with the level of chaos just from the tariff policy alone. Anyway, there is a long set of things we should be talking about, and I am happy to save people some time, and let us get to it. I yield back.

Chairman HILL. The gentleman yields back. I recognize the chairman of the Task Force on Monetary Policy, Treasury Market

Resilience, and Economic Prosperity, Mr. Lucas, for 1 minute for an opening statement.

STATEMENT OF HON. FRANK D. LUCAS, CHAIRMAN OF THE TASK FORCE ON MONETARY POLICY, TREASURY MARKET RESILIENCE, AND ECONOMIC PROSPERITY, A U.S. REPRESENTATIVE FROM OKLAHOMA

Mr. LUCAS. Thank you, Mr. Chairman. Today's hearing will allow us to evaluate the state of the economy and review the Federal Open Market Committee's (FOMC's) policy decisions. It is appropriate to regularly take a step back and assess the Central Bank's performance and its responsiveness to the economic conditions our constituents face back home. This hearing is particularly a timely conversation as the Fed wraps up its 5-year framework review, including a thorough look at the consensus statement, communication strategy, and other guiding policies that will have a profound effect on the lives of every American. Many of these topics we will discuss today, we have taken a closer look at in the Monetary Policy, Treasury Market Resilience, and Economic Prosperity Task Force. I look forward to building on these conversations here. One issue that I think warrants special attention is the binding nature of the supplementary leverage ratio (SLR) and enhanced supplementary leverage ratio (eSLR) on the Treasury market intermediation. I am glad to see the Federal Reserve (Fed) is looking into this tomorrow, and I hope we will see meaningful action soon.

Chairman Powell, thank you for being here. It is critically important that Congress and the Central Bank have an open dialog. Transparency, accountability, honest communications are pillars of our system's success. I look forward to your testimony on the state of the economy and the Fed's plans for the future, and I yield back, Mr. Chairman.

Chairman HILL. The gentleman yields back. I recognize the ranking member of the Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity, Mr. Vargas, for 1 minute for an opening statement.

STATEMENT OF HON. JUAN VARGAS, RANKING MEMBER OF THE TASK FORCE ON MONETARY POLICY, TREASURY MARKET RESILIENCE, AND ECONOMIC PROSPERITY, A U.S. REPRESENTATIVE FROM CALIFORNIA

Mr. VARGAS. Thank you very much, Mr. Chairman and Ranking Member, and thank you, Chairman Powell, both for your years of public service and for being here today. Since 1977, the Fed has been tasked by Congress with its dual mandate goals of achieving both maximum employment and stable prices. Unfortunately, this administration has made accomplishing these goals more difficult. In the Fed's most recent summary of economic projections, we see a forecast for slower growth, stickier inflation, and rising unemployment, all of which point to a potential stagflation scenario. Whether it is the President's indecision on trade policy, his hiring freezes impacting the collection of economic data, his ballooning of the deficit to cut taxes for the wealthy, or his name calling, all of these actions make it tougher for the Fed to do its job. I look for-

ward to your testimony today, Chairman Powell, and I yield back with that.

Chairman HILL. The gentleman yields back. Today, we do welcome the testimony of Honorable Jerome Powell, chair of the Board of Governors of the Federal Reserve System. Chairman Powell, we thank you for taking time to be with us. You will be recognized for 5 minutes to give an oral presentation of your written testimony, and without objection, your written testimony would be made part of the record. You are now recognized for 5 minutes. Mike.

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

Mr. POWELL. Thank you, Chairman Hill, Ranking Member, and other members of the committee. It is great to be back here today. I appreciate the opportunity to present the Federal Reserve's Semi-Annual Monetary Policy Report. The Federal Reserve remains squarely focused on achieving our dual mandate goals of maximum employment and stable prices for the benefit of the American people. Despite elevated uncertainty, the economy is in a solid position, and unemployment rate remains low, and the labor market is at or near maximum employment. Inflation has come down a great deal but has been running somewhat above our 2-percent longer-run objective. We are attentive to the risks on both sides of our dual mandate. I will review the current economic situation before turning to monetary policy.

Incoming data suggests that the economy remains solid. Following growth of 2.5 percent last year, Gross Domestic Product (GDP) was reported to have edged down in the first quarter, reflecting swings in net exports that were driven by businesses bringing in imports ahead of potential tariffs. This unusual swing has complicated GDP measurement. Private domestic final purchases, or PDFFP, which excludes net exports, inventory investment, and government spending, grew at a solid 2.5-percent rate. Within PDFFP, growth of consumer spending moderated, while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, reported a decline in sentiment in recent months and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment.

In the labor market, conditions have remained solid. Payroll job gains averaged a moderate 224,000 per month in the first 5 months of the year. The unemployment rate at 4.2 percent in May remains low and has stayed in a narrow range for the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggest that the conditions in the labor market are broadly in balance and consistent with maximum employment. The labor market is not a source of significant inflationary pressures. The strong labor market conditions in recent years have helped narrow longstanding disparities in employment and earnings across demographic groups.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2-percent longer-run goal. Estimates based on the Consumer Price Index and other data

indicate that total personal consumption expenditures, or PCE prices, rose 2.3 percent over the 12 months ending in May, and that excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Near-term measures of inflation expectations have moved up over recent months as reflected in both market and survey-based measures. Respondents to surveys of consumers, businesses, and professional forecasters point to tariffs as the driving factor. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2-percent inflation goal.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. With the labor market at or near maximum employment and inflation remaining somewhat elevated, the Federal Open Market Committee has maintained the target range for the Federal funds rate at 4-and-a-quarter to 4-and-a-half percent since the beginning of the year. We have also continued to reduce our holdings of Treasury and agency mortgage-backed securities, and, beginning in April, further slowed the pace of this decline to facilitate a smooth transition to ample reserve balances. We will continue to determine the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks.

Policy changes continue to evolve, and their effects on the economy remain uncertain. The effects of tariffs will depend, among other things, on their ultimate level. Expectations of that level and, thus, of the related economic effects reached a peak in April and have since declined. Even so, increases in tariffs this year are likely to push up prices and weigh on economic activity. The effects on inflation could be short lived, reflecting a onetime shift in the price level. It is also possible that the inflationary effects could instead be more persistent. Avoiding that would depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.

Our obligation is to keep longer-term inflation expectations well anchored and to prevent a onetime increase in the price level from becoming an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum employment and price stability mandates, keeping in mind that without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans. For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.

[The prepared statement of Mr. Powell follows:]

For release at
8:30 a.m. EDT
June 24, 2025

Statement by
Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
before the
Committee on Financial Services
U.S. House of Representatives
June 24, 2025

Chairman Hill, Ranking Member Waters, and other members of the Committee, I appreciate the opportunity to present the Federal Reserve's semiannual *Monetary Policy Report*.

The Federal Reserve remains squarely focused on achieving our dual-mandate goals of maximum employment and stable prices for the benefit of the American people. Despite elevated uncertainty, the economy is in a solid position. The unemployment rate remains low, and the labor market is at or near maximum employment. Inflation has come down a great deal but has been running somewhat above our 2 percent longer-run objective. We are attentive to the risks to both sides of our dual mandate.

I will review the current economic situation before turning to monetary policy.

Current Economic Situation and Outlook

Incoming data suggest that the economy remains solid. Following growth of 2.5 percent last year, gross domestic product (GDP) was reported to have edged down in the first quarter, reflecting swings in net exports that were driven by businesses bringing in imports ahead of potential tariffs. This unusual swing has complicated GDP measurement. Private domestic final purchases (PDFP)—which excludes net exports, inventory investment, and government spending—grew at a solid 2.5 percent rate. Within PDFP, growth of consumer spending moderated, while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, report a decline in sentiment over recent months and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment.

In the labor market, conditions have remained solid. Payroll job gains averaged a moderate 124,000 per month in the first five months of the year. The unemployment rate, at 4.2

percent in May, remains low and has stayed in a narrow range for the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment. The labor market is not a source of significant inflationary pressures. The strong labor market conditions in recent years have helped narrow long-standing disparities in employment and earnings across demographic groups.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the consumer price index and other data indicate that total personal consumption expenditures (PCE) prices rose 2.3 percent over the 12 months ending in May and that, excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Near-term measures of inflation expectations have moved up over recent months, as reflected in both market- and survey-based measures. Respondents to surveys of consumers, businesses, and professional forecasters point to tariffs as the driving factor. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

Monetary Policy

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. With the labor market at or near maximum employment and inflation remaining somewhat elevated, the Federal Open Market Committee (FOMC) has maintained the target range for the federal funds rate at $4\frac{1}{4}$ to $4\frac{1}{2}$ percent since the beginning of the year. We have also continued to reduce our holdings of Treasury and agency mortgage-backed securities and, beginning in April, further slowed the pace of this decline to facilitate a smooth transition to ample reserve balances. We will continue to

determine the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks.

Policy changes continue to evolve, and their effects on the economy remain uncertain. The effects of tariffs will depend, among other things, on their ultimate level. Expectations of that level, and thus of the related economic effects, reached a peak in April and have since declined. Even so, increases in tariffs this year are likely to push up prices and weigh on economic activity.

The effects on inflation could be short lived—reflecting a one-time shift in the price level. It is also possible that the inflationary effects could instead be more persistent. Avoiding that outcome will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.

The FOMC's obligation is to keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum-employment and price-stability mandates, keeping in mind that, without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans.

For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum-employment and price-stability goals.

Thank you. I am happy to take your questions.

Chairman HILL. Thank you, Mr. Chairman. We will now turn to member questions. I recognize myself for 5 minutes for questions.

Over the past few weeks, our Democratic colleagues have suggested the following: after the initial release of the GDP report, the President is driving the economy into a recession. Chairman Powell, the latest FOMC statement described economic activity continued to expand at a solid pace, and you just reiterated that in your testimony this morning. In your view, is the term recession and the economy growing at a solid pace, are those synonymous with each other?

Mr. POWELL. I would say no.

Chairman HILL. You note that the labor market continues strong, the economy is at a standard pace, and you also referenced in your testimony that first quarter GDP initial reaction was also from front-end loading, as you noted, imports to try to avoid tariff impacts. Also, I looked at the Atlanta Fed GDPNow model, which forecasts GDP growth for the second quarter of this year at nearly 4 percent, with core GDP forecast at 2 percent. Does that Atlanta model suggest a recession to you?

Mr. POWELL. No, I would say it does not.

Chairman HILL. So in looking at your remarks about tariffs today and then the ones that you made during March and April, I was looking back at a Fed study that noted that up until March, tariffs have already been partially passed through in consumer prices, leading to a contribution of merely one-tenth percentage point increase in core PCE prices, and Harvard study last week showed that prices have only modestly adjusted since the announcement of tariffs. Finally, the longer-term inflation expectations remain consistent with the 2-percent goal.

Governor Waller laid out a pathway that allows for rate cuts, provided that average effective tariff rates remain close to 10 percent, or I assume he means 10 percent or lower, the labor market remains solid, prices continue to disinflate. So given that data I have outlined, I am sure data that you are very familiar with, for the economy to avoid persistent inflation, do you concur with Governor Waller that there is a pathway for good news as it relates to the regulatory policies, the tax policies that I have discussed in a world with lower tariff rates?

Mr. POWELL. First, I would not comment on any other FOMC member's comments one way or the other, but I will say this. I think many paths are possible here, and certainly the one you mentioned is a possible one. We could see inflation come in not as strong as we expect, and if that were the case, that would tend to suggest cutting sooner. We could see the labor market weakening, and that would also suggest cutting sooner. On the other hand, if we see inflation coming in higher or if labor market were to remain strong, then we would probably be moving later. So I think a range of possible paths are possible, and certainly the one you mentioned is one of them.

Chairman HILL. In February 2021, you told us in this committee that you would stay in your lane and not comment on President Biden's proposal for the American Rescue Plan or sharply increasing Federal spending, and you said it was an issue, but that you would stay in your lane and not comment on it. Here in this year,

you have commented on this idea of tariffs being set by the executive branch. Are tariffs in your lane, but a huge fiscal spending by the Biden Administration not in your lane? Explain to the committee why you chose to be silent in February 2021 but outspoken this spring.

Mr. POWELL. Sure. We have not commented and it would be inappropriate for us to comment on the policy of tariffs. We do not have a view. It is not our job, and we just would not do that, just as we would not comment on the reconciliation package that you are working on right now. We are not commenting on tariffs. What our job is, is inflation, keeping inflation under control and also keeping maximum employment, and when policies have what appear to be short-and medium-term implications, meaningful implications for that, then kind of not the policies themselves, but the inflation becomes our job.

Chairman HILL. Yes. You know, my views on price stability, I think it is a first among equals in your dual mandate. I have argued for that. I have introduced legislation to make the dual mandate the sole mandate, and we have talked about that before, but I was very curious about your thoughts on former president of the Cleveland bank, Loretta Mester's quote that I read from last fall. She says, "I think that maximum employment is the maximum level of employment consistent with price stability." In other words, she elegantly ties that together, that price stability is what you can have more control over rather than all of these other factors that enter the employment picture, like legislative and executive branch. What are your thoughts about her quote?

Mr. POWELL. I personally think that is a very reasonable way to think about it.

Chairman HILL. Thank you very much. I yield back. The gentleman from New York is recognized for 5 minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. Good morning, Chair Powell, and thank you for being here. Last week, the FOMC decided to maintain the target range for the Federal funds rate at 4-and-a-quarter to 4-and-a-half percent. While I was not surprised by the decision to hold rates steady, I was surprised by the Committee's revised forecast since March, which represented a decrease of 0.3 percentage points for GDP, a similar increase for core PCE, and an uptick in the unemployment rate to 4-and-a-half percent. Can you explain the incoming data that the committee has seen since March that caused it to make these adjustments?

Mr. POWELL. Sure. First of all, these are individual, this is not a committee forecast. These are just individuals submitting their own personal forecasts, and we do not bless those as a Committee, but I think people are looking at the incoming data and having a range of different judgments. If you look at the range, if you look at the central tendency, you will see that it covers quite a wide range. Those are the medians that you are talking about. So inflation is projected to have moved up because of what we have seen, particularly from tariffs, and I think if you look at other outside forecasters, you will see very much the same thing; the same results are true—

Ms. VELÁZQUEZ. What data are you looking for?

Mr. POWELL. We look at our own forecast, and we ask ourselves what is likely to happen. You know, monetary policy has to be forward looking. A forecast is a prediction of what is going to happen in the future.

Ms. VELÁZQUEZ. Thank you. In its statement, the Committee announced that it will continue to monitor the implications of incoming data and adjust the stand of monetary policy as appropriate. Some analysts predict two rate cuts by the end of the year are still on the table. Is this a fair and accurate assumption, and what incoming data will the Committee need to see to consider these cuts?

Mr. POWELL. What will actually happen with rates is going to depend on the path of the economy, and that is highly uncertain. I would just say what that means at this moment in time is that a significant majority of the Committee, but also there is a pretty significant minority that does not agree, but a significant majority feels it will be appropriate to reduce rates later this year. What that means is that each of those persons who wrote down a cut in rates later this year, they think that there is some state of the world where inflation does not prove to be as high, or the labor market weakens, or some combination of those two things, that it will turn out to be more likely than not appropriate to reduce policy rates subject to great uncertainty. You know, the story has been evolving, and our thinking has been adapting, and that will continue.

Ms. VELÁZQUEZ. Thank you. Chair Powell, although a cease-fire has been tentatively reached in the Middle East, the situation still has the potential to open global and energy markets, especially if the cease-fire is broken. While at this point, Iran is seen as unlikely to close the Strait of Hormuz, that decision could change. How is the Fed assessing the current situation and incorporating those assessments as it considers future adjustment to economic projections and its stand on monetary policy?

Mr. POWELL. I think it is too early to know what any economic implications might be, and I would not want to speculate. Like everyone else, we are, of course, watching the situation.

Ms. VELÁZQUEZ. Thank you, and, Chair Powell, after reviewing the economic data following the meeting last week, it seems to me that the Committee is indicating that we could be headed for a situation where inflation accelerates while unemployment rises and growth becomes more sluggish. In this scenario, this will put the Fed's dual mandate of maximum employment and price stability in tension with one another. In this scenario, how does the Fed balance these priorities in order to achieve both mandates?

Mr. POWELL. Let me say that we are not facing that right now, and that is not really our forecast that we will face such an issue in a serious way, but if that does happen, then what we do is we look at the two goals and we see which one of them is farther from its goal. Two variables are maximum employment or price stability farther from its goal, and we prefer the one that is farther than its goal, and then we also ask ourselves how quickly will they return to goal. It is a very difficult situation for any central bank, and I would say again, we are not in that situation right now.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. I yield back.

Chairman HILL. The gentlewoman's time has expired. The vice chairman of the full committee, Mr. Huizenga of Michigan, is recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Chair Hill and Chair Powell, good to see you again. I got a lot to cover, so we are going to try and keep this concise. Following up a bit on what Chair Hill had been talking about you had said on January 29, 2025, "We do not know what will happen with tariffs, with immigration, with fiscal policy, and with regulatory policy." I would add energy to that, by the way. "We need to let those policies be articulated before we can even begin to make a plausible assessment of what their implications for the economy will be." This is no different than any set of policy changes at the beginning of the administration. However, December 18 of 2024, at the FOMC press conference, you noted, and I am paraphrasing, that some Federal Reserve officials began to incorporate preliminary conditional estimates of how fiscal policies might impact the economy into their forecasts.

This seems inconsistent, and I sidebarred with the chair to say, okay, did I hear this correctly, his question and sort of your answer. What I heard is that there was a belief that the individual retirement account (IRA) would not be inflationary, but that tariffs could be. Therefore, suddenly, you and others were commenting on tariffs, and for the institution, I know you try to be consensus driven. Why are there FOMC participants making fiscal policy assumptions into their forecasting when you yourself said that fiscal policies need to be articulated before the FOMC can make a plausible assessment into their implications what those will be? I think if there are different participants having different assumptions, that would render the SEP—Summary of Economic Projections—biased, meaningless, useless, and less impactful when you are not comparing apples to apples. So would it not make more sense for all the forecasters to make the same fiscal policy assumptions at the same time, or, if not, should each participant not disclose what assumptions that they are using and building into that? Here is the question.

Mr. POWELL. That is a great question. Really, when the Summary of Economic Projections was originally designed and put into effect in this way, the way it works is that individuals are free to make whatever assumptions they want, and they do disclose them. They disclose them in their speeches and things like that, so there will be situations where some people incorporate some things and others do not. We try to be transparent about that, but that is kind of the way it works. When I say we do not take it into account, I am really talking about policy and the committee as a whole, where we will not take things into account until we know—

Mr. HUIZENGA. You believe that the participants disclose their assumptions when they are doing their forecasts?

Mr. POWELL. I think they do that in their speeches, and you may have noticed there are a lot of speeches, and that—

Mr. HUIZENGA. I guess the opaqueness of the Fed, over the arc of my 15 years on this committee, has been one that has been debated greatly, including auditing the Fed and a number of other things that have gone on. I have here a brief moment, I do feel like I need to touch on interest rates. Not to be a shock, you asked how

the family business was doing back in Michigan, families involved in sand and gravel and aggregates and construction and things like that. It has been strong. We need more labor. We need a few other things on that, what is happening. I mean, I think there is no recession. That has been established. There is no hyperinflation, or certainly not as what some had been projecting. Yet there seems to be higher-than-expected or certainly desired interest rates for many of us. High interest rates, they hurt Americans who are paying car loans, credit cards, mortgages. You had FHFA Director Pulte asking for lower interest rates, which would, obviously, impact homebuyers as well.

So what is it that is keeping, in your mind, the Fed from what many of us believe is the right thing to do, which is to lower some interest rates and, by the way, match with the Bank of Canada, Bank of England, the European Central Bank, the Swiss Central Bank, a number of emerging Central Banks? By the way, that is your own assessment on page 33 where you are laying that out. Why are we not doing what the rest of the world is doing? Is it because we are at full employment? Is it because of those tariffs concerns that you said were not part of the analysis? Was it energy, groceries, durable goods? Why?

Mr. POWELL. You are right that if you just look in the rearview mirror and look at the existing data that we have seen, you can make a good argument that would call for us to be at a neutral level, which would be a couple of cuts or maybe more kind of thing. The reason that we are not is because the forecast by all professional forecasters that I know of on the outside and the Fed does expect a meaningful increase in inflation over the course of this year. When I said we were not going to talk about tariffs and inflation, that was to say until we see what the policies are, and so now we know what—

Chairman HILL. The gentleman's time has expired.

Mr. POWELL [continuing]. started 6 months since I said that. Anyway, I would be happy to continue this with you.

Mr. HUIZENGA. Thank you.

Chairman HILL. The gentleman's time has expired. The gentleman from Michigan, Ms. Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Mr. Chairman. Chair Powell, last month, there was research published in the *Journal of Urban Health* that found that more than half of Black women of reproductive age—that is the term they use—in the counties that I represent that had experienced some sort of eviction during their lifetime. So that is like 50 percent of Black women in the two largest counties, Wayne County and Oakland County, in Michigan, and these numbers are horrific, as you know. Were you aware of that?

Ms. POWELL. No, I was not.

Ms. TLAIB. Evictions are often very traumatic experiences, but also it creates a cycle of poverty, but also this instability for many families. Especially when it comes to a lot of our Black neighbors, the access to equity, the access to housing has diminished even more in Michigan. We lost more Black homeownership than any other State in the country during the last recession. So we know the housing crisis, I believe, is structural, and some may say it is a policy choice. While there are many factors at play, and you know

this, Chairman, high mortgage rates, the finance rates, and so forth that drag the supply of new housing, but last month, new housing hit a 5-year low. Are you familiar with that?

Mr. POWELL. I am not sure exactly what statistics you are referring to.

Ms. TLAIB. Okay. I do not know. There were all these articles about the housing market and the impact of tariffs and so forth, and they said again it hit a 5-year low, and, again, I am getting this from a source, but this sets the market up for higher inflation and more burdensome housing costs to years to come. Chairman Powell I am looking at this monetary, whatever, policy framework that you guys have put together, and, again, I am trying to understand how you are looking at this and the housing crisis. Do you believe it is eroding new rental supply under construction right now, leading to high inflation in future years?

Mr. POWELL. I think there are two things going on quickly. One is just there is a longer-run shortage of housing in the United States, which there is nothing that the Fed can do about. That is not something we can affect. If I may say, in the short run, rates are high, and that is going to weigh on housing activity, but the best thing we can do for the housing market, the absolute best thing, is to restore price stability so that rates come down and so that rates can be at a level that people can afford.

Ms. TLAIB. But do you not think that the restrictive monetary policy, the framework you all put together undermines long-term price stability right now by reducing the supply?

Mr. POWELL. No. I mean, I think—

Ms. TLAIB. But you are reducing supply.

Mr. POWELL [continuing]. No, I think, it restores price stability, and the point of higher rates is to end.

Ms. TLAIB. So you do not think the higher rates are impacting future supply of housing?

Mr. POWELL. I think interest-sensitive sectors like housing are very much directly affected when we cut rates or when we raise rates. That is right, but that is part of the mechanism for restoring general price stability.

Ms. TLAIB. So keeping the high interest rates does not impact future supply of housing?

Mr. POWELL. It does not. You know, over the long—

Ms. TLAIB. I need to go back to talk to the women that the study—

Mr. POWELL. Our policy will not be a driver of longer-run housing supply in United States.

Ms. TLAIB. Okay, let me ask you what is the difference and, honestly, I am confused. I want to learn here, and I am sure people listening to us want to learn. What is the difference between demand-driven rent inflation and supply driven rent inflation? Like, you guys use these terminologies. What is that? How do I communicate that to the public? What is the difference between supply-driven versus demand-driven rent?

Mr. POWELL. You know, those are not terms that we use particularly often, but—

Ms. TLAIB. What is supply driven formula that you guys—

Mr. POWELL. That would mean that there is not enough supply to meet demand, but at the same time, it also means there is more demand than there is supply.

Ms. TLAIB. Are you guys ignoring that?

Mr. POWELL. No, but as I said, again, our policies will not affect in the long run.

Ms. TLAIB. No, I am being serious, because I see somebody behind you kind of—

Mr. POWELL. These are demand or supply in housing.

Ms. TLAIB. I am being serious, you all. We are talking about a housing crisis that is getting worse right now because we are not paying attention to future instability, and you can raise your eyebrows and all this stuff. I mean, do you understand? Like, I come from a community right now that I believe is now being impacted by the current framework that you are putting together that I do feel like it is going to have long-term effects on the housing crisis, and you are ignoring it.

Mr. POWELL. No, we are not. Actually, we think the very best thing we can do is to fully restore price stability at the aggregate level. That will be the best thing for homeowners and for homebuilders and everybody else.

Ms. TLAIB. Even though the housing supply has been impacted by the—

Mr. POWELL. In the long run, that is the single thing that Congress has assigned us to do.

Ms. TLAIB. Chairman Powell, you see where I am coming from. It is impacting future supply of housing, right?

Mr. POWELL. Not in the long run, no.

Ms. TLAIB. Okay. Well, Mr. Chair, thank you.

Chairman HILL. The gentlewoman's time has expired. The gentleman from Wisconsin, Mr. Steil, who is also the chair of our Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence, you are recognized for 5 minutes.

Mr. STEIL. Thank you, Chairman Hill. Thank you, Chairman Powell, for being with us today. I want to dive into two actions the Fed has recently taken to get a little additional color on. Yesterday, the Fed announced that reputational risk would no longer be a component in bank exams. I viewed that positively. I viewed the reputational risk as often being a catch-all for political bias. I think it is positive to depoliticize bank exams, instead focus on the core and measurable risks. Could you provide color as to whether or not any new information came to light that led to the decision of the Fed to remove that yesterday?

Mr. POWELL. I am not aware of any new information, no. We just think it is the right thing to do, and, of course, made an announcement on Monday under Vice Chair Bowman's leadership.

Mr. STEIL. Why would it not have been done previously if it was the right thing to do? I agree with you it is the right thing to do. Any timeline as to why that was done yesterday versus previously?

Mr. POWELL. No. I think this is a problem that we came to understand as a problem over the course of the last couple of years and actually began considering what is going on here. We are hearing a lot of reports of debanking and that sort of thing and over the course of, really, 2024, came to the view that this was a serious

problem that we need to address. We have said that publicly and now we are doing this, and so are the other agencies, by the way.

Mr. STEIL. I appreciate you taking that action. I do agree that there was real political bias in some of those exams, particularly as it related to regulated entities engaged in the digital asset space.

Let me shift into the digital asset space, if I can. Another action recently taken by the Fed, the Novel Activities Supervision Program, was ended and withdrew several statements on digital-asset-related risks that deterred bank involvement. In particular, you in the Fed and others in the Fed have spoken positively about the House and Senate work to regulate stablecoin, in particular, a real opportunity to dollarize the globe, and be a significant purchaser of U.S. Treasuries. Following that action by the Fed, have you seen an identifiable shift in banks or other regulated entities as it relates to engagement in the digital asset space?

Mr. POWELL. You know, I would not be the one to be picking that up first, but what I do see is a very significant change in the tone, and it really does reflect evolving thinking and the evolving status of the crypto industry, and I would expect over time we will see more activity.

Mr. STEIL. How is the Fed evaluating and overseeing banks and other regulated entities that are in the digital assets or crypto space?

Mr. POWELL. Our view is that banks get to decide who their customers are. That is not our decision, and so banks are free to provide banking services to the crypto industry, to crypto companies, and banks are also free to conduct crypto activities as long as they do so in a way that is protective of safety and soundness.

Mr. STEIL. Thank you very much. Let me shift gears because I want to give you just a little bit of an opportunity to comment on the housing sector once again but give you a little freedom here to speak to that area. You correctly are trying to balance inflation and price stability, but also higher rates have a significant impact on the housing market as shelter and housing costs are a significant driver of why many families cannot afford the things that they need. Can you provide color as to how you are analyzing the impact that housing and shelter costs have on families and on inflation with your desire to maintain price stability, the interest rates that are currently set by the Fed?

Mr. POWELL. Sure. So you know, we realize that people are feeling high housing costs and high financing costs. In terms of inflation, we look at something called owner's equivalent rent and rentals, and that is meant to capture both rented housing and owned housing, and it has been very sticky. You know, it has been one of the stickiest parts of inflation. I am happy to say now it actually is coming down quite regularly. That is very good news. Really, it has been the service inflation that has been stickier than other parts of inflation, so that is good news for people, I think, and it is showing through into measured inflation now. Again, in the long run, the best thing we can do is restore price stability and let the market work. Even then, though, we are still going to have a housing shortage.

Mr. STEIL. What data do you think is leading to the reduction in the rent equivalent?

Mr. POWELL. I just think it took time. The thought is, if rents come up every year, you would think it would take 1 year or 2 years for a lack of growth in rents to show up in a lack of growth in housing prices. It turns out it takes 4 or 3 years. It is a complicated thought, but if you are an existing tenant, you do not actually catch up the way you would if new tenants came in, and so that has made the measurement of inflation stickier. I am happy to say we have been through that period now, and we are now really seeing housing services inflation pretty close to where it was when inflation was solidly at 2 percent.

Mr. STEIL. Thank you. I yield back.

Chairman HILL. The gentleman yields back. The gentleman from California, Mr. Liccardo, is recognized for 5 minutes.

Mr. LICCARDO. Thank you, Mr. Chair. Chairman, thank you for your testimony today. I appreciate that your dual mandate is full employment and price stability, and I appreciate your efforts on behalf of our country to achieve those. My understanding is that critical data is collected by the Bureau of Labor Statistics to help formulate the indicators that you rely on, that we rely on, to understand unemployment rates, consumer price index (CPI), and other inflation indicators. We are certainly hearing a lot about the impacts of the Department of Government Efficiency (DOGE) on our workforce, and specifically about the elimination of many of those positions in the Bureau of Labor Statistics (BLS), and now we have a proposal in front of Congress to cut \$56 million in that Agency. Are you concerned about the ability of your team to get accurate data and about the ability to have reliable indicators to make good decisions upon?

Mr. POWELL. I would not say that I am concerned about the data today, although, clearly, there has been a very mild degradation of the scope of the surveys and things like that, but I would say the direction of travel is something I am concerned about. Measuring the U.S. economy carefully and well is a project that has been going on, and we are getting better at it for 100 years and more. It is really important not just for the Fed, but for Congress and for businesses, frankly, to know what really is going in the economy, what is happening: is growth high, is it low, and all those sorts of things. I think it is a smart investment to just continually try to get better at measurement of what is happening in the economy. I do not like to see the kind of stories I am reading, the idea being that data is going to become more volatile and less reliable. It will make it more difficult for the private sector and for you and for us, and I do not like to see that direction.

Mr. LICCARDO. I agree. Thank you. I appreciate that it is not your role to comment on the advisability of specific policies, but give your critical role in ensuring stability and reducing inflation. I have had conversations quite recently, just a week ago, with a C-suite executive of a major global retailer, who informed me, because I asked why are we not seeing the impact of these tariffs in price data yet, and he said it is coming. It is coming in the third quarter because it takes time for tariffs to work their way through the distribution chain. Often what you have on the shelf today may

have been imported 2 or 3 months ago. Is that your understanding? Do you anticipate there may be impacts down the road?

Mr. POWELL. Yes, that is very much what I hear. I happened to meet with an unusually large number of business people in this last FOMC cycle, and that is a typical thing that they will say, especially the retailers, that what is being sold now was an inventory in February, let us say, and it just is not showing up yet, so we do expect tariff inflation to show up more, but I want to be honest. We really do not know how much of that is going to be passed through to the consumers. We just do not know, and we will not know until we see it. It could be lower than we expect. It could be higher. We have to wait and see, which is kind of what we are doing.

Mr. LICCARDO. I appreciate the uncertainty. Another thing he told me, which made me very concerned, was that often, they will increase prices on goods not subjected to tariffs to compensate for the very substantial losses they have to suffer with the increase of tariffs on relatively price elastic goods. In other words, necessities will also tend to bear a higher price even if they are not subjected to tariffs. Is that your understanding of the potential impact?

Mr. POWELL. You know, that very much is something that companies will tell you that they do. If they cannot cover the losses on the thing that is being tariffed, they will find other ways to do it. We actually do not have prominent examples of that yet, but that is certainly a possibility, and that did happen in the last tariff episode with washing machines and dryers.

Mr. LICCARDO. Thank you, Mr. Chairman. Finally there are indications in the introduction of the report that the Fed is losing, as we see interest rates getting closer and closer to the minimum threshold, the ability to stimulate this economy in times of recession, and we have not had a recession, or at least we have not had an extended recession in a decade and a half. I am particularly concerned now as we are looking at debt that is being considered to be imposed on future generations by this particular bill. Could there be a combination of very high debt and very little room to move monetary policy that could undermine our ability to respond to the next recession?

Mr. POWELL. We faced that issue quite a bit in the era of very low interest rates, but we are at higher levels of interest rates now, so—

Chairman HILL. The gentleman's time has expired.

Mr. POWELL [continuing]. significantly more room to cut than there was then.

Mr. LICCARDO. Thank you very much.

Chairman HILL. The gentleman yields back. The gentleman from Wisconsin, Mr. Fitzgerald, you are recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Chairman. Chairman Powell, thanks for being here today. I appreciate it. We had some brief discussions about this in the past, but in September 2024, with core inflation still being above target and the labor market was holding steady at the time, the Fed made a decision to cut rates by a full half percentage point. It kind of raised some serious questions as to whether or not the data like truly supported such a move at that time, and I think some of us were surprised that it was a full half

percent. Can you revisit that again, what the Fed was thinking at that time because it seems to be somewhat of an enigma now. It stands out as to why was this done, why was the half percent done at that point.

Mr. POWELL. I would be glad to. First of all, actually, the inflation and employment readings were very similar then to what they are now. They were not terribly true, a tenth or two.

Mr. FITZGERALD. True, true. Right.

Mr. POWELL. The difference then was you mentioned that the labor market was stable. It was not. The unemployment rate had actually gone up almost a full percentage point. I was very clear about this. We were very clear about it in real time, too. The concern at that time was that there really has not been an experience or had not been an experience in the modern era in which the unemployment rate has gone up close to 1 percent that has not been followed by much higher levels of unemployment and a recession. Remember, at that point, at the point we are talking about, the Federal funds rate was 5.3 percent, so definitely a very restrictive level. We were the last of the big central banks to cut, so we wanted to make a statement that we were supportive of the labor market and not just inflation. We have been focusing on inflation. I was quite clear about this.

So it was all about the labor market. Inflation was the same and unemployment was roughly the same, but it was the rate of change with the unemployment rate that raised a lot of concerns. Remember, we were being criticized for being late to cut, so we could have done 25. We were criticized for not cutting in July. Instead, we cut 50 in September, and it seemed like the right thing to do. You know, at the end of the day, we do what we think is the right thing when we think it is the right thing to do. We do not take into consideration political factors. If we start doing that, I do not know where that stops. Once you start considering elections and stuff like that, where does it stop so—

Mr. FITZGERALD. I do not want to insinuate that it had anything to do with the election itself, but there just seems to be some very similar numbers right now, and I do not bring this up because I want to kind of make a point about did the Fed do the right thing or not. I bring it up because it seems like everything is in place right now to kind of do the same thing, make the same move. You know, this morning already, you have talked a little bit about where you were on inflation right now and kind of what you are watching, but is there any lesson there? I mean, are we in a position where it would be appropriate to do something as big as a half-percent cut again?

Mr. POWELL. Well, look, as I said earlier, if you just look at the basic data and do not look at the forecast, you will say that we would have continued cutting. The difference, of course, is, at this time, all forecasters are expecting pretty soon that some significant inflation will show up from tariffs, and we cannot just ignore that, but we are just saying let us wait and see more. That is all we are doing. You will have noticed a substantial majority of the committee has written down rate cuts in the remaining four meetings this year, so it is just a question of being prudent and careful at a time when the labor market is still strong.

We do not see weakness in the labor market. If we did, that would change things. You know, we are going to continue to adapt as the data adapts, but that is the difference between then and now. Then inflation was forecasted to continue to come down. Here, it is forecasted to go up by all forecasters, and again, we are not overreacting to that. We are just saying, hey, as long as the economy is strong, we can take a little bit of a pause here, and that is what we are doing and, again, continue to adapt as the data comes in. If we see data that suggests that inflation is not going to produce big increases that would matter, and if we saw the labor market weakening, that will matter, too, but we do not see those things.

Mr. FITZGERALD. What about supply chain? In 2020, that was a big issue, obviously related to coronavirus disease (COVID). I know myself and other members, when we are in our districts and we are specifically talking to light manufacturing, there is concern about the supply chain. Is that part of the data package that you review when you make a decision about where we are headed in the future?

Mr. POWELL. Very much so. You know, I think that is one of the lessons to be taken——

Chairman HILL. The gentleman's time has expired.

Mr. POWELL [continuing]. from the last episode is supply chains really matter. We are watching that carefully. It is too soon to say really on that. We are not seeing it yet, but we——

Chairman HILL. The gentleman's time has expired.

Mr. FITZGERALD. Thank you, Chairman. I yield back.

Chairman HILL. Thank you, Mr. Fitzgerald. The gentleman from New Jersey, Mr. Gottheimer, you are recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Mr. Chairman. Chairman Powell, as a member of the Intelligence Committee, I am deeply concerned about the threat of Iranian cyberattacks on our financial system as retaliation for our strikes on their nuclear facilities. In its cybersecurity report last year, the Fed acknowledged that critical infrastructure, including financial services, is at risk with rising geopolitical tensions. Iran has a history of targeting American infrastructure companies and financial institutions and banks, which could obviously threaten and cause economic damage. What actions are the Fed taking now to monitor and defend against Iranian or proxy cyberthreats targeting our country's financial institutions?

Mr. POWELL. We are in touch with the other regulators and the parts of the government that work on cyber, as you know, and we are in touch with the banks for people to be on the alert for things like that to happen. Also we are on the alert because we are a target as well, so you are right to raise it. You know, it is a big issue and——

Mr. GOTTHEIMER. You feel like you have the resources right now to be prepared for that?

Mr. POWELL. Yes, I mean, I think we do. We spend a lot and the government generally spends a lot on these things, but you can never, ever be comfortable in this area because the bad guys are always getting better, so we need to keep getting better.

Mr. GOTTHEIMER. Thank you, Chairman. Switching gears, the President and members of his administration have recently called

you out, various name calling, for certain decisions you have made. I know that some people worry that the President's bullying will impact your decision-making. I know you work together and respect, obviously, your independence greatly. Anything you want to add? I will give you a chance to reiterate your independence to the American people.

Mr. POWELL. Yes, I would just say we are focused on one thing, and that is we want to deliver a good economy for the benefit of the American people. That is it, and anything else is kind of a distraction. I do not mean to refer to any particular thing, but we stay focused on that task all the time. We always do what we think is the right thing to do, and we live with the consequences. I do not know how else to do the job.

Mr. GOTTHEIMER. Right. So the name calling and the "Mr. Too Late" and all that stuff, the American people should not worry about that. You are focused on being independent.

Mr. POWELL. Yes, that is what I care about. I care about doing the job for the American people. The things we do matter a lot for people's lives, and that really concentrates the mind. You know, you want to just stay focused on that task. As long as you are sitting in these chairs that we occupy, focus on that task, do what you think is the right thing, and take the consequences.

Mr. GOTTHEIMER. Thank you, Mr. Chairman. You have previously stated that you view stablecoins as a form of money. Payment stablecoins are already being used for both retail and wholesale payments as well as for settlement. Recently, this committee passed the Stablecoin Act, and the Senate passed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, both aiming to establish clear regulatory framework for fully reserved, dollar-backed payment stablecoins. Given they are designed to maintain a stable value and be redeemable for U.S. dollars, should the Securities and Exchange Commission (SEC) or other regulators explore treating these stablecoins as cash equivalents for accounting or financial reporting purposes?

Mr. POWELL. Let me say I think it is a great thing that bills are moving. We need a stablecoin framework. On that particular issue, I do not have a view for you. I can come back to you on that.

Mr. GOTTHEIMER. I would be grateful. Thank you.

Mr. GOTTHEIMER. High rates have also caused, as we have discussed, the cost of paying off our Nation's debt to skyrocket. The Congressional Budget Office (CBO) estimates that interest payments will cost the U.S. a trillion dollars in Fiscal Year 2026 and continue to rise to almost 1.8 trillion by Fiscal Year 2035. How do you see us continuing to be able to afford to pay off our debt at this rate, and as the U.S. continues to borrow, how does that impact your decision to keep or cut rates? Obviously, foreign countries like Japan, who are significant buyers of our bonds, have started decreasing their purchases significantly. Other internal pressures worldwide are having that impact. Are you worried about this global issue?

Mr. POWELL. You know, fiscal policy really is not our job, and it is not something we take into consideration in making monetary policy. That is really elected people's jobs. I would add that for

some time now, the U.S. Federal fiscal policy has been on an unsustainable path, and I will limit myself to that.

Mr. GOTTHEIMER. Last question. Last week, you chose to keep rates steady, and families in our State, as you will hear from a lot of people today, are really struggling with the higher cost of borrowing and putting off bigger purchases on things like cars and homes. As a result, their wallets are being crushed by these price hikes and, obviously, the President's tariffs. What do you have to say to Jersey families who are struggling with higher costs, and how they should forecast themselves for their own families?

Mr. POWELL. We are committed to returning inflation sustainably to 2 percent and keeping it there in the long run. You know, we had cut rates by 100 basis points, so they have come down quite a bit, and when the time is right, I expect that will continue, and that will depend on economic factors in the coming months for starters.

Mr. GOTTHEIMER. Thank you. I yield back. Thank you, sir.

Chairman HILL. The gentleman yields back. The gentleman from Nebraska, the chair of our Housing and Insurance Subcommittee, Mr. Flood, you are recognized for 5 minutes.

Mr. FLOOD. Thank you, Mr. Chairman. Chairman Powell, later this week, the banking agencies will be proposing changes to the supplementary leverage ratio, which we think are long overdue considering the Fed, in 2021, indicated that they would soon put out proposals for reform to the SLR and never actually did. However, our understanding is that the proposal being considered this week will not allow for Treasuries to be excluded from the SLR calculation. Secretary Bessent earlier this year had argued that such a change could serve as a boost for banks and their ability to intermediate in the Treasury market and could potentially pull Treasury yields down 30 to 70 basis points. Chairman Powell, do you agree with the Treasury Secretary's comments on the potential positive impact of SLR reform on the Treasury market, and what is the rationale for not excluding Treasuries from the SLR calculation in the proposed rule?

Mr. POWELL. I agree that when the leverage ratio is binding, it discourages banks from undertaking low margin, fairly safe activities such as mediation in the Treasury markets, so this should encourage more mediation. I do not have a numerical estimate of how much that would matter, but I do think it would matter. I think it was important, and I have supported the leverage ratio reform for a very long time, since before 2021.

Mr. FLOOD. Chairman—

Mr. POWELL. In terms of the structure of the thing, I think we are seeking comments on a particular proposal that does not involve exclusion, but we are also asking a question about exclusion.

Mr. FLOOD. Mr. Chairman, considering the Fed temporarily excluded Treasuries from the SLR calculation during the COVID pandemic, were you aware of any safety and soundness or financial stability problems that arose as a result of that decision, and if not, why was that relief terminated in 2021?

Mr. POWELL. So that was an emergency measure. From the beginning and end, it was an emergency measure. You know, my long-held view is that we should have a permanent measure, and

now we are going to. We have an open Board meeting on Wednesday afternoon after I finish my hearing on the Senate side, and I am very much looking forward to putting this proposal out for comment.

Mr. FLOOD. Thank you. In March, the Federal Reserve, together with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), announced that they intend to issue a notice of proposed rulemaking to repeal the 2023 Community Reinvestment Act and replace it with the legacy CRA framework. Nearly 3 months have passed since this announcement. What is the status of this project?

Mr. POWELL. Well, we are going to do what we said we were going to do. It is just a question of execution, and I think you will see that coming. Vice Chair Bowman has the job of sequencing these things, and that one is certainly coming.

Mr. FLOOD. Do you intend to issue a proposal that will be a clean rescission and replacement of that rulemaking, or are you considering amendments to the legacy rule?

Mr. POWELL. You know, I honestly do not know. We will come back to you on that.

Mr. FLOOD. Okay. So we should know more later this week?

Mr. POWELL. We might, yes.

Mr. FLOOD. Okay. Finally, I would like to build off of what Congressman Steil asked previously on the supervision of Novel Activities Program. Do you feel any changes could be made to it to encourage innovation, and do you anticipate any such changes to the program?

Mr. POWELL. I do. Governor Bowman, now Vice Chair Bowman, is someone who is actually deeply knowledgeable and experienced in supervision, and that has not really been the model. We had more people who were experts on regulation. I think she brings a particular ability to move supervision in a healthy direction while also preserving safety and soundness. What you mentioned is one of the dimensions in which I think that will be true.

Mr. FLOOD. Thank you for your testimony today. I appreciate your service to the country, and with that, I yield back, Mr. Chairman.

Mr. POWELL. Thank you.

Chairman HILL. The gentleman yields back. The chair recognizes the ranking member of our full committee, Ms. Waters, for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman. Chair Powell, I appreciate that despite the repeated attacks by the President and his Cabinet on you personally, that you stood your ground and you did not bow to pressure from Trump, especially given the current state of economic uncertainty due to his policies. Last week, the Fed held interest rates steady. Afterwards, you said that you and other experts continue to expect a meaningful amount of inflation due to Trump's tariffs. You said that it may take some time for the tariffs to work their way through the supply chain, but that you found, "Many companies do expect to put some or all of the effect of tariffs through to the next person in the chain, and ultimately, to the consumer." While the President may try to claim other countries pay these tariffs, can you confirm that it is indeed

consumers and businesses in the United States that will bear these costs?

Mr. POWELL. It can be anybody from the exporter, the importer, the retailer, the manufacturer, or the consumer that winds up paying these tariffs. In the beginning, it will be the importer that pays the tariff, but ultimately, it will be spread out among those five, each of which will try very hard not to contribute. In the end, the tariff will be paid, and all of the data suggests that not all of it, but at least some of it will fall on consumers.

Ms. WATERS. Well, you indicated it may take some time for tariffs to work their way through the supply chain. Would you elaborate on this, including when is it that we can see negative impacts to inflation from Trump's tariff policy?

Mr. POWELL. So you know, the things that are being sold at retail now they might have been put into inventory before the tariffs, in February or March, so we think we should start to see this over the summer in the June numbers and in the July numbers. I think we are learning here, if we see less passthrough, there are no historical experiences we can consult here, really, so it may turn out that the passthrough is less or more than we think, and I think we are going to be learning. You know, we will get a number for June, an inflation number for June. We will learn something then. We will get it for July. As we go through the summer, we should start seeing this, and if we do not, I think we are perfectly open to the idea that the passthrough will be less than we think, and if so, that will matter for our policy.

Ms. WATERS. Well I have been talking with a lot of my constituents about these tariffs, and the question that comes up is, now, is this going to only hurt maybe the big businesses? What about our small business people? What about the people that we buy goods and services from every day in our communities? Is this going to hurt big businesses as well as small businesses?

Mr. POWELL. Yes. I mean, I think it will certainly. If you are a smaller company that maybe imports a single product, that is a common business model these days. Then if your product is tariffed, you may be the one that is affected significantly whereas bigger companies have more resources and a more diverse product line.

Ms. WATERS. Why do you think you can resist the President basically telling you what to do? What gives you that authority?

Mr. POWELL. I do not think about it that way at all. I think I have a job that I am sworn to do, and all I think of is how much people rely on us to get it right. You know, it really matters that we get it right, and that concentrates one's mind, and so that is what we think about at the Fed. We think about what is the right thing. You know, all I want to do in what is left of my time at the Fed is have the economy be strong and have inflation be under control, have a solid labor market. I want to turn it over to my successor in that condition. Of course, that is what keeps me up at night, is to do that, and that is what I think about. That is the only thing I think about.

Ms. WATERS. So how are you protected? By law? By Constitution? Where does your authority come from?

Mr. POWELL. I think I have covered all of that. I do think we are fully protected, and again, I do not think about that anymore. What I think about is let us just do our jobs, and that is what we do. You know, we do not talk about those issues at all, and all we do is do our jobs as best we can, and it is not an easy job, but it is one we have willingly taken on, and very important that we remain focused just on the job and not on other things.

Ms. WATERS. Thank you very much. I yield back.

Chairman HILL. The gentlewoman yields back. The chair recognizes the gentleman from New York, our vice chair for communications, Mr. Lawler. You are recognized for 5 minutes.

Mr. LAWLER. Thank you, Mr. Chairman. Chairman Powell, as recently as yesterday, Fed Governor Bowman indicated that if inflation pressures remain contained, the Fed should consider lowering rates and said she is open to a rate cut in July. Governor Waller said very much the same. Do you believe that we are in a position where we may be able to cut rates in July?

Mr. POWELL. I would say this. I think if it turns out that inflation pressures do remain contained, then we will get to a place where we cut rates sooner rather than later, but I would not want to point to a particular meeting. I do not think we need to be in any rush because the economy is still strong. The labor market is strong. If we were to see the labor market meaningfully weaken in a way that was concerning, that would matter for that decision, and if we see inflation continuing not to move up. We had not expected inflation to move up much. We do expect it to move in the summer, and if we see it not happening, we will learn from that.

Mr. LAWLER. The September 2018 TealBook suggested that the Fed seeing through tariff's inflationary effects is an appropriate response so long as inflation expectations are firmly anchored and that the passthrough costs are relatively short lived. Would you agree that this assessment from the TealBook still applies to today?

Mr. POWELL. I would. Those are the exact factors that we cite when we talk about this situation, that plus the size of the tariffs.

Mr. LAWLER. Right. Let us assess the current economic situation. The monetary policy report states that longer run inflation expectations "continue to be broadly consistent with 2-percent inflation," and Harvard study argued that despite the relatively quick price responses to tariff announcements, the overall magnitude of these changes remains modest. So if these conditions hold, is it not unreasonable to think that underlying inflation trends should continue its path toward 2 percent?

Mr. POWELL. That is certainly a very defensible position. I think what others on the committee think and what I think is that this is a question we need to be careful with because it is different than it was in 2018. The difference is that in 2018 we had not had an inflation as high as 2 percent for a decade or anymore.

Mr. LAWLER. Right.

Mr. POWELL. This is a different situation. We have not fully restored price stability, and another shock—we have to be careful if there is a meaningfully large and sustained inflation shock. We have to be careful about that. So you know, I think we are just trying to be careful and cautious, and we really think that is the best

thing we can do for the people that we serve. If that happens, we need to be there for it. So you know, we are in a difficult situation in deciding exactly when to move, but again, if we continue to see inflation come in and not prove up with the higher levels than we expect, then that would matter for our decision making.

Mr. LAWLER. Chairman Powell, economist, John Taylor, once noted that the Federal Reserve should deviate from its own Taylor rule in the event of an oil shock, similar to the tariff scenario. One-time price increase from an oil shock should not be accompanied with an increase in interest rates. Do you agree with that assessment?

Mr. POWELL. I generally do, yes.

Mr. LAWLER. Previously, you said that if you wait for inflation to get back down to 2 percent to cut rates, you are already too late. You also said in November 2024 that inflation was on a sustainable path to 2 percent. Given that the FOMC believes that interest rates now are moderately restrictive and that an oil or tariff shock may not impact underlying inflation in a significant or meaningful way, because, as the monetary policy report established, inflation expectations are firmly anchored, what is the reason not to cut rates?

Mr. POWELL. Well, it is uncertainty about the size and potential persistence of the potential, but highly uncertain inflation from tariffs. By the way, we have five Taylor rules in the monetary policy report. Four of them say that the policy rate is in the right range, and the other one calls for a hike.

Mr. LAWLER. Right.

Mr. POWELL. Just for the record.

Mr. LAWLER. Well, back in the beginning of the Biden Administration, okay, when we talked about inflation, they increased Federal spending by \$2-and-a-half trillion each year, \$5 trillion in new spending. That is what gave us inflation, by printing all of this new money and borrowing, and yet you did not respond to that by raising rates. In fact, you were late to raising rates, and now, again, we see a situation where—

Chairman HILL. The gentleman's time has expired.

Mr. LAWLER [continuing]. you are late to cut rates. That is the challenge here.

Chairman HILL. The gentleman yields back. The chair recognizes the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. SCOTT. Thank you, chairman. Chairman Powell, to the best of your knowledge, has President Trump put forward a coherent tariff policy? Is that your opinion?

Mr. POWELL. That is not a judgment for me to make or to discuss.

Mr. SCOTT. Well, what do you think?

Mr. POWELL. Sir, it would be inappropriate for me to—

Mr. SCOTT. I mean, you run an economy—

Mr. POWELL. I do not comment on the President's words or the President's policy.

Mr. SCOTT. Does the President, in your opinion, does he have a coherent tariff policy? You ought to have an opinion on that. You run our economy. This is your bailiwick. Do you think he has got a good policy? Answer me.

Mr. POWELL. I would never comment on the President of the United States in that way.

Mr. SCOTT. All right. What do you think our policy should be?

Mr. POWELL. We play no role in either establishing or commenting on tariff policy or fiscal policy for that matter. In our business, we have a specific mandate. We try to stick to it.

Mr. SCOTT. Let me tell you something, Chairman. In my State of Georgia, I got the fastest-growing trade group down there. The Port of Savannah is indeed our Nation's fastest growing party, and it is rising even more, the cost, the expenses, our business community is suffering, and I want to know what you think of our tariff policy. What do I tell my people? What do we tell the American people? You are a good man; I want to know the answer to this question. I want to know how you feel. This whole tariff question, it is a tax increase. It is running people out of business. What do you think about that? Give me some sort of answer. Do you think anything about our tariff policy? Do you not feel you have a responsibility here? Are you afraid of President Donald Trump? Why do you not deal with this because our economy is suffering in a mighty bad way, and I have to represent my constituency. Let us take Georgia's agricultural sector, mostly pecans and poultry and cotton exports. They have been hit hard by retaliatory tariffs from key trading partners like China. Why are you running away from the tariff fight? Give us some understanding of that.

Mr. POWELL. Honestly, this is just not our role. We are not an institution that comments on or analyzes decisions that the President makes or the things that he runs for office on and is elected on and then does. That is just completely out of our lane. It is really inappropriate for me to have any comment on that, I am sorry to say, Mr. Scott.

Mr. SCOTT. We are having these regional disruptions. Our economy is in a bad way, and I want to see you and the President, you got to get together on this. We got pecans in Georgia. We got peanuts. We run the biggest group. We got the fastest-growing trade mechanism in the Savannah Port Authority. We are crushed in Georgia. My business folks are coming to me on it. I got to get some answers from you. What do I tell them that the Fed Chairman feels about their experience, and that is tariff? I think we need to get you and the President together.

Chairman HILL. The gentleman's time has expired. I appreciate the gentleman from Georgia. The gentlewoman from Florida, Ms. Salazar, is recognized for 5 minutes.

Ms. SALAZAR. Hi. Thank you very much for being here. I appreciate your time, and my name is Maria Salazar. I represent the city of Miami, which is one of the cities most composed of Hispanic Americans and people that adore living the American Dream. So putting that into context, I wanted to ask you a few questions about the labor force. We agree with what the President Trump is doing or what the administration is doing in deporting criminal illegals. We do not want Tren de Aragua. We do not really want people who have committed any type of crime, even more if they are illegals, but we do know that, unfortunately, what is happening right now, after 6 months of Mr. President being in office, that we are losing thousands and thousands of workers, what the Immigra-

tion and Customs Enforcement (ICE) leadership has called collateral damage, and most of those people are working in three main sectors: construction, hospitality, and agricultural. Even the President said the other day in a tweet that he understands that those hands are needed. We are talking about 15 percent of the economy: construction, hospitality and agricultural. My question to you is, what is the growth effect on the economy if this type of removal of people, of hands being removed from those three main top sectors?

Mr. POWELL. Immigration is another area where nobody put us in charge. You know, Congressional Budget Office and other agencies can make assessments like that. You know, we do have a role to maximize employment, but we take immigration policy as just we take it as it comes. What it has obviously done is it has really reduced the amount of growth in the labor force, and so at the same time, demand for workers has been coming down as well because they have been coming down at about same—

Ms. SALAZAR. Reduce, I mean, just one drop at a time, reduce the growth. Why do not we talk a little bit more because we want to continue growing. We are the number one economy in the world. We need to continue growing. What is affecting the growth?

Mr. POWELL. Well, there are two things that affect growth. One is growth in the labor force, more people working, and the other thing is productivity. How much do they produce per hour worked? So when you significantly slow the growth of the labor force, you will slow the growth of the economy, but I think, again, it is not for us to have a view on immigration policy. I can just report that.

Ms. SALAZAR. No, no, I understand. It was just my comments, but you do agree that if we do not have those hands, then we do not grow.

Mr. POWELL. I think the growth will slow and actually is slowing this year, and that is one of the reasons.

Ms. SALAZAR. Well, we do not like that. Now, let us talk about over the next 10 years, 2025 to 2035, Americans are not having enough kids, so that means that we need other people, right? So over the next decade, based on the current trends that I just explained to you and that you just reiterated, will there be enough workers to fulfill the labor needs of our economy between 2025 and 2035?

Mr. POWELL. I think labor economists do see, they do observe the phenomenon you are talking about, which is, is demand for labor going to be met by the domestic population, the native-born population, and the answer appears to be, probably not, over the next 10 years.

Ms. SALAZAR. Then what about if we do not have that labor force over the next 10 years? What happens?

Mr. POWELL. So, many things will happen. You know, you can see a big increase in productivity, which would mean we do not need as many workers. For example, artificial intelligence could be implemented in a way that creates widespread productivity gains. I would not count on that, but it is a possibility.

Ms. SALAZAR. You would not count on that?

Mr. POWELL. I would not count on it.

Ms. SALAZAR. You would not?

Mr. POWELL. No.

Ms. SALAZAR. Why not?

Mr. POWELL. I mean, I think there will be gains because, well, because with productivity enhancing things, they typically take longer to be implemented, and then it takes a while for the gains to be shown. I think in the case of artificial intelligence, those gains are coming, but they may take longer or be less in the beginning than expected.

Ms. SALAZAR. During the time that those changes happen, then what happens? Our economy does not grow. Is that what you are saying?

Mr. POWELL. Yes, but, I mean, those who make immigration policy are entitled to weigh these factors. You know, we can report on what happens, but it is really not our job.

Ms. SALAZAR. I understand it is not. I just want to hear what you are thinking, what is your expertise based on those immigration laws that we are implementing right now. The last one because I only have 30 seconds: do you think that with everything that we have talked about, do you think that we can continue remaining or the United States economy can continue being the number one economy in the world and that we could compete if we were to have the immigration laws that we have right now?

Mr. POWELL. I think you could have the highest per capita earnings, but if you are talking about the aggregate output, then population growth may be a constraint.

Ms. SALAZAR. Which one of the two is more important?

Chairman HILL. The gentlewoman's time has expired.

Mr. POWELL. Good question.

Chairman HILL. The gentlewoman's time has expired.

Ms. SALAZAR. All right. Thank you, Chairman.

Chairman HILL. Let me turn to the ranking member of the House Intelligence Committee, Mr. Himes, for 5 minutes.

Mr. HIMES. Thank you, Mr. Chairman, and welcome, Chairman Powell. Let me start by thanking you for keeping in your lane and steering clear of fiscal policy, and, in particular, for your stalwart defense of independent monetary policy. You are getting pressure from very powerful places and lots of kibitzing from lots of members on the interest rate question, and most know better that our independent monetary policy is the very bedrock of our economy, so thank you for that.

Mr. Chairman, I want to talk just a little bit about some of the technical matters associated with energy prices and inflation because, obviously, turmoil in the Middle East has sent oil prices swinging wildly, with West Texas Intermediate in the last month or so being anywhere between \$61 and \$75 a barrel. We recently saw the Iranian Parliament vote to close the Strait of Hormuz, which currently handles around 20 million barrels a day, a fifth of global demand and a little bit more in terms of natural gas. Chair Powell, you said last week that conflict in the Middle East in the 1970s resulted in very large inflation shocks. In contrast to the 1970s, today the United States does not import most of its energy. We call ourselves energy self-sufficient on a net basis, but I hear the argument made that I think is wrong, that because we are energy self-sufficient, somehow we are insulated from global energy

market prices. Can you comment on that? Is there any validity to the notion that American consumers of energy are not subject to global swings in energy prices?

Mr. POWELL. Yes. So the price of oil is set globally, right, and I think if you go back a few years, the thought was that we had a natural shock absorber, which is that we would just drill more. If prices went up, we would drill more, and so you would not have these sustained price shocks that we had during the 1970s and the original Organization of the Petroleum Exporting Countries (OPEC) era. I think that is actually in question now because the oil industry in the U.S. is being much more careful and focused on return on investment than they were, having been burned with overcapacity.

Mr. HIMES. Right, and, I mean, yes, in the long run, you can invest in additional extraction technologies, but this does not respond to day-to-day spot prices.

Mr. POWELL. Not quickly, no.

Mr. HIMES. So the point I am trying to make is that the conflict in the Middle East, if it resulted in \$120 a barrel of oil, which is where oil was in 2022, that would have a fairly substantial inflationary impact on the American household. Is that correct?

Mr. POWELL. We would certainly feel that and as we have discussed earlier, there is a lot of lore around looking through oil price shocks, but that depends on the facts and circumstances.

Mr. HIMES. As a technical matter, we tend to refer to CPI, which is a basket of goods, and we measure the price changes. Roughly speaking, what percentage of that basket is comprised of energy?

Mr. POWELL. I do not have that on top of my head. It is much less than it was. Of course, the oil consumption is much less than it was in the 1970s as a percentage of GDP.

Mr. HIMES. But energy includes natural gas and gasoline, and it is a meaningful portion of the——

Mr. POWELL. Yes, although, of course, we have so much natural gas, so that will always be there for us.

Mr. HIMES. So none of us can predict what is going to happen in the Middle East in an hour, much less in a week or a month or a year, but as a technical matter, at what price for a barrel of oil does the American household begin to feel inflationary effects? So we are at \$75 a barrel, roughly, right now. At what price point does the American household begin to feel some inflationary effects?

Mr. POWELL. I do not want to throw out a number, you know. Frankly, it is too early to say that something like that is going to happen, and I know you know that, but I would not want to throw out a specific number. If prices went up materially, people would feel that.

Mr. HIMES. Okay. Again, I think if I look at the data here, West Texas Intermediate (WTI) per barrel, it peaked at about \$120 in 2022. What do your models suggest would occur to inflation, and how would it influence the Fed's thinking should we be back at \$120 a barrel?

Mr. POWELL. Well, let us just say there is a big price spike in that range. So you know, we would look at that. We look at the overall situation. We would ask ourselves, should we react to that?

For example, during the, what we call the Arab Spring, back in the early teens, oil prices went up a lot, and that went into the price, and then there was a discussion, and I think the right answer was to look through that, the question you would be asking to yourself, because by the time you react, the price comes back down. I think the question today would be is the situation different, and what would be the implications of those differences.

Mr. HIMES. Thank you.

Chairman HILL. The gentleman's time has expired. I thank the gentleman from Connecticut. The chair recognizes the gentleman from North Carolina, Mr. Moore. You are recognized for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman. Chairman Powell, I want to touch on international standard-setting bodies like the Basel Committee on Banking Supervision. Their goal was to promote better harmonization for global capital flows and regulatory standards, but the Biden Administration's implementation of Basel III Endgame demonstrated the pitfalls when the U.S. is a follower instead of a leader in the international arena. That is why both Democrats and Republicans shot down former Vice Chair Michael Barr's proposal, which made capital less acceptable and put U.S. firms and businesses at a global disadvantage. Do you agree that the United States should only implement international standards in a way that is consistent with our own domestic, legal, and regulatory scheme?

Mr. POWELL. I do.

Mr. MOORE. I appreciate the Federal Reserve's announcement yesterday to end the use of reputational risk during banking examinations. This supervisory practice was used as a tool to pressure banks to refrain from offering financial services to politically disfavored individuals or industries. What further steps is the Federal Reserve taking to help usher in these changes, such as ending examination practices that informally encourage banks to close certain accounts without written justification?

Mr. POWELL. So we are developing, I should say, Vice Chair Bowman is developing, a range of policies that will help in that area, and I should let her speak to it but, as you know, we have eliminated reputation risk largely, in a thoughtful way from those things. I think we became more aware of that problem over the course of last year, and like the other agencies, decided to move away from that. We are very conscious of the fact that we should not be telling banks who they can lend to, that is a decision for them in the private sector.

Mr. MOORE. Let me ask you this, how are you ensuring, though, like, the frontline examiners are aligned with this new direction and not continuing with any past practices?

Mr. POWELL. I will say that is the ultimate question is, and I think they will, and I think, as a former bank examiner, Vice Chair Bowman is actually very well positioned to engage with supervisors and in a way that someone with experience can do successfully, whereas if you do not have that experience, I think it might be harder.

Mr. MOORE. Thank you. Secretary Bessent recently announced a drive to change the culture of supervision through improvements to examination procedures, enhanced monitoring of examiner's com-

pliance with those procedures, and more realistic processes for appealing supervisory findings. That includes defining unsafe and unsound rules by using more objective measures rooted in financial risk. Do you support this initiative, and will we be seeing further rule changes at the Federal Reserve to achieve this goal?

Mr. POWELL. I like the sound of all of that. I will say on issues of supervision, Vice Chair Bowman has significant authority, and also, she has got the background and the understanding, and the first thing I would do is I would ask her what she thinks about that.

Mr. MOORE. Just sort of changing the direction, a couple of questions. During the volatility in the Treasury markets last April, some have speculated that foreign investors were dumping Treasury securities. Since then, though, recent data has showed that foreign investors' holding of U.S. Treasuries held close to a record high in April. Does this data show that Treasury safe haven status and the dollar's global reserve currency status remain strong while the administration conducted trade negotiations?

Mr. POWELL. I would say yes to that. I think we need to be careful about these narratives that pop up quickly. I mean, we are the world's reserve currency and the world's greatest democracy, and I think the dollar is always going to be anyway, for a long time, is going to be the reserve currency and the place where people want to be.

Mr. MOORE. Let me ask you this. Do you believe there is a possibility that Treasury markets will crack just as Jamie Dimon has recently warned at the Reagan National Economic Forum?

Mr. POWELL. You know, I do not want to say things like that. I do not think that is something that is happening. Treasury markets are functioning well and normally, and they did function through a period of pretty substantial stress, and as you pointed out, Mr. Moore, that they are focusing well now.

Mr. MOORE. Thank you. With that, I yield back, and actually, if Ms. Salazar is still here, I will give her my remaining time. If not, I will yield back, Mr. Chair.

Chairman HILL. The gentleman yields back. The chair recognizes Ms. Williams of Georgia. You are recognized for 5 minutes.

Ms. WILLIAMS of Georgia. Thank you, Mr. Chairman, and thank you, Chairman Powell, for being here. It has been a while since I have had the opportunity to ask questions, sitting at the bottom of the room, but I am happy to have this conversation today because the last time we talked, last July, I mentioned that combating economic inequality is a critical part of the Fed's dual mandate, and that is something that I am deeply, deeply interested in. Back then, we were talking about how we can get everyone in our economy to have the opportunity to contribute to their fullest potential because that is how we get our economy firing on all cylinders and work to continue to close the racial wealth gap, which my home city of Atlanta continues to lead the Nation in. That seems like such a far cry from where we are today, almost a year later. Forget our economy firing on all cylinders. Now our economy and our Nation seem to just be on fire. We are looking at tariffs that are raising the prices of groceries, fuel, housing, and everyday goods.

Chairman Powell, I get feedback every time I am in a hearing about my nails because I like to get my nails done, and my nail tech told me about the increasing cost of so many of the different products that would be used just for me to get my manicure monthly because tariffs are frightening so many of our small businesses, which we know are the backbone of our economy, and so it is hurting my community in Atlanta. It does not seem like our President and my Republican colleagues are really interested in making sure that our economy fires on all cylinders, as long as billionaires continue to get richer because that is what we have seen in all of the gutting that has been done to the Federal Government. Chairman Powell, I mean, I am sure that this is coming to your department as well.

With the recent events that we have seen, we know that it is very dangerous to gut the Federal Government, agencies that we depend on, and politicize the work of agencies such as yours. Chairman Powell, this current President has tried to reclassify tens of thousands of non-political public servants just to make it easier to fire them, and that includes people who have served in Democratic and Republican Administrations. It even includes people who serve in independent agencies just like yours. Chair Powell, as a chair who our current and previous President routinely has threatened to fire—I think I just heard something on CNN today while you were here testifying—but what effect has this policy had on the career of civil servants in your Agency, and are these threats making it easier or harder for the Fed to do monetary policy?

Mr. POWELL. They are having no effect. We are doing our jobs.

Ms. WILLIAMS of Georgia. You are doing your jobs. I appreciate you doing your job, even when it might not be easy. It is important to tune out the things that you hear in the media because I hear it every day, representing a district that has a lot of Federal employees, and a lot of people who work at your Agency. I hear from people all the time. Thank you so much, and not only do I have thousands of Federal employees in my district, but my district has one of the widest racial wealth gaps in the country. Much of that has to do with our worsening housing crisis. Unfortunately, as we have seen in the past 6 months, this administration has been focused on this big billionaire bailout bill, gutting Housing and Urban Development (HUD), and releasing a budget that does not help the supply of fair and affordable housing nationwide. Now, we have heard the President talk about having the power to control interest rates.

In your opinion, Chairman Powell, what would you expect the effects would be on the housing market if the President were to lower interest rates without addressing the housing supply crisis nationwide?

Mr. POWELL. Sorry, if he were to what?

Ms. WILLIAMS of Georgia. The President has talked about having the power to control interest rates. In your opinion, what would you expect the effects would be on the housing market if the President were to lower interest rates without addressing the housing supply crisis nationwide?

Mr. POWELL. Honestly, it is not our job to speculate on things the President might do. Sorry.

Ms. WILLIAMS of Georgia. What impact do interest rates have on housing access?

Mr. POWELL. Over the long run, they do not really affect housing supply assuming that rates will go up and down.

Ms. WILLIAMS of Georgia. Well, not on the supply, but on the housing market. The supply is separate that we need to address going into this. If we are going to move interest rates up and down, that is not going to be the end-all/be-all to getting people into housing. We must address the housing supply crisis, but what impact do interest rates have on the housing market in general?

Mr. POWELL. Well, interest rates really affect housing demand, so with lower rates, you see more demand, and higher rates, maybe less demand.

Ms. WILLIAMS of Georgia. Thank you, Chairman Powell. I am out of time, but I have lots of questions that continue to work to close the racial wealth gap in this country, specifically focused on my district in Atlanta, where it is so prevalent. Thank you so much.

Chairman HILL. The gentlewoman's time has expired. The gentleman from Indiana, Mr. Stutzman, is recognized for 5 minutes.

Mr. STUTZMAN. Thank you, Mr. Chairman, and, Chairman Powell, great to see you. Again, and as I have mentioned to you before, I always appreciate your steady hand at the wheel, and not, I guess, getting out of your lane, necessarily, but obviously, you have a huge impact on the economy and what is happening there at the Fed.

I want to kind of follow up a little bit on housing, as I have been hearing a lot about housing concerns in Northeast Indiana. I know you are used to being beaten up on a lot by folks all around the country, but I want to speak specifically to one particular individual, Cardone Capital, Grant Cardone. He made some pretty strong remarks about your policy when it comes to the housing industry, and he said that is why you have 500,000 more homes listed than buyers for those homes. When the rates come down, prices will also come down with it because you will have more supply in the marketplace, and supply is what controls prices. He went on to say that interest rates do not control prices, and he explained that lower rates could stimulate activity in the market, and activity is what makes the economy work. I agree with his comments overall, but I believe, as you said earlier, the economy seems stable, and I would agree with that, coming from an agricultural and manufacturing area. It is not booming yet, but I believe most people are optimistic that good times are coming and that the structure is set and in place.

But when it comes to housing, it seems like that is where a lot of Americans are stuck. They have had low rates, they have a good mortgage rate, but if they want to make a move, they have to go out of that 3-percent interest rate into 4-and-a-half, 5, or higher-percent interest rate. Thoughts on addressing housing because their prices are up, for sure, but there is no activity. The velocity is very slow. Would you like to comment on any of that?

Mr. POWELL. Sure. Yes, we see the same thing you do in the housing market. It is tough. People are locked in. They cannot afford to get out of their house because the cost of getting to a higher mortgage, higher price mortgage would be a lot. The best thing we

can do, though, is to get inflation sustainably down to 2 percent and have it stay there over a long period of time—a long period of time—and that is really what we can offer to them.

If you go back to the beginning of the pandemic when we cut to zero and we did all those programs, we really saved the housing industry because they are the front line for interest rates. At a time like this, when rates are, I would say, modestly restrictive, not even moderately, but modestly restrictive, they feel it, and their customers feel it. We understand that, but we only have one tool for the whole economy, not just for housing. So it is something we consider, but we have to consider the bigger picture, and I do think in the medium term, as rates come down, you will see normalization in housing. Of course, there will still be a national housing shortage. I do not know about your district, but.

Mr. STUTZMAN. Yes. No, there is a shortage. I mean, considering the macroeconomics of interest rates, I mean, how much consideration do you take housing into that decision as you address interest rates?

Mr. POWELL. You know, we are always briefed on it, we always talk about it, and we always look at it, but at the end of the day, it is the big U.S. economy, the whole aggregate thing that matters. We also talk about the agricultural economy a lot as well, but ultimately—and manufacturing—it has got to be the whole and not any one particular piece.

Mr. STUTZMAN. Yes. I just would mention, it is hard for American families to make that move, and they are stuck, and so I would just ask you to consider that piece of it because when Americans cannot move and Americans cannot upgrade or move laterally even, it really kind of holds the economy back a bit when Americans do not have that. Again, I want to say thank you because you have a tough job, but I have not heard from anyone in my district asking for interest rates to go up. So I will just pass that along from Indiana's 3rd District.

Mr. POWELL. I appreciate that.

Mr. STUTZMAN. With that, Mr. Chairman, I will yield back.

Mr. LUCAS [presiding]. The gentleman yields back. The chair now recognizes the gentlewoman from Colorado. Ms. Pettersen is now recognized for 5 minutes.

Ms. PETERSEN. Thank you, Mr. Chairman, and great to see you, Chair Powell. Thank you so much for being here today. I want to thank you for your long service to our country. I know that you have served under many Democrats, Republicans. You have always been nonpartisan and done your job to put our country first, and we appreciate your steadfast leadership, and if you are not reappointed, it will be very missed here.

I have some concerns when I think about, I know you have touched on this a little bit through the questions today, but around the independence of the Federal Reserve. Your job, no matter what President you served under, Republican or Democrat, was to make sure that this was not a political position while you brought news that some would not be happy about because it reflected what you had to do to address inflation. When I think about the conversations we have had going through the global pandemic and the economic fallout, and how we had to infuse money throughout our

country to keep our services afloat, our businesses afloat, and while we suffered from inflation like the rest of the world, we had the quickest, strongest recovery. We were leading the globe, and so much of that was because of your leadership.

And so when I think about what this position means, how important it is that there is independence, what are your biggest concerns about a potential successor that does not prioritize that and wants to do what is politically asked of them versus what they need to do for the country and what are their long-term repercussions if you are not acting on addressing the economic uncertainties and trying to address inflation in this position?

Mr. POWELL. I would not speculate on that, but I would say the credibility of the Fed on price stability is very, very important. People believe that we will bring inflation back down to 2 percent over time, and if they really do believe it and it is true, then that will have big effects on not just short-term rates, but long-term rates. If that were to be called into question, then you would see long-term rates go up. I mean, that credibility, once lost, is very expensive to regain is what the historical record says. I think people should understand that credibility on inflation is hard won and something we need to constantly tend, and that is what we are doing with our current policy is just being careful with potential inflation risks. We have not overreacted. In fact, we have not reacted at all, but we are being a little bit careful about that set of questions as we decide what to do next.

Ms. PETERSEN. Thank you for bringing that up. As we look at where we were, how far we had come in our economy, things were starting to stabilize, and we were starting to finally see a relief on the interest rates. They are starting to go down. Now they are holding steady. Can you talk about why the instability when we look at tariffs around the increase in the deficit by the proposed big ugly bill that is being brought through Congress right now, and increasing our debt by trillions of dollars, and having our credit downgraded again because we are increasing our deficit? With this economic uncertainty, where we were going, we were on the way down or reducing our rates, and now we have to hold steady to address the instability. Is that correct?

Mr. POWELL. I am sorry. Could you just briefly restate your question there? I apologize.

Ms. PETERSEN. Yes, I am going to do this as best I can with Sam here. Having to address inflation, as we have started to see it, you were able to decrease the rates. We were starting to go down a little bit. We were seeing that our economy was finally in a solid place. Prices were starting to go down. Now with the economic uncertainty, we are starting to see that you had to hold steady whereas everyone was projecting before this administration came in with these changes that it was going to continue to go down. Can you talk about why you had to choose to hold steady on the interest rates?

Mr. POWELL. So we stick to what we are assigned to do, which is maximum employment and price stability. We do not have opinions on fiscal policy or trade policy or immigration policy, or any one of another regulation policy other than we have our regulatory responsibilities, and so we take what comes as it comes, and elect-

ed politicians do what they do, and we do not criticize that. We do not have opinions.

Mr. LUCAS. The gentleman's time has expired, and the gentlelady's.

Mr. POWELL. Thank you, and thank you, Sam.

Mr. LUCAS. The chair now recognizes the gentlewoman from Texas, Ms. De La Cruz, for 5 minutes.

Ms. DE LA CRUZ. Thank you so much, and thank you, Chair Powell, for being here with us today. I am Congresswoman Monica De La Cruz, and I am from deep South Texas, a largely Hispanic district, a rural community right there on the border of Texas and Mexico. I serve as the vice chair for Housing and Insurance Subcommittee, and it is difficult for families right now to afford a home on an average paycheck. I am committed to finding affordable housing solutions for the people in my community, but also for all over the Nation.

So Chair Powell, mortgage rates remain significantly elevated relative to Treasury yields, with spreads well above historical norms. To what extent does the Federal Reserve believe it is a balance sheet policy, particularly the runoff of Mortgage-Backed Securities (MBS) holdings, is contributing to this widening, and how does that factor into your broader assessment of financial conditions?

Mr. POWELL. I do not think that our runoff of MBS is a particularly large contributor to that situation. I also think it is not just interest rates; there are so many things around housing now. It is insurance, it is materials, it is land acquisition, it is labor. There are so many cost pressures that are pushing up housing costs.

Ms. DE LA CRUZ. Thank you. With that being said, moving on to an entirely different topic, if the Federal Reserve focuses on issues outside its dual mandate, there are more opportunities for policy mistakes. How can you ensure that no other climate policy work is being done at the Federal Reserve?

Mr. POWELL. It is a big risk to our independence if we were to stray into areas where we should not, that really are not part of our mandate, and I would agree that climate is the biggest risk. So we really did the bare minimum. We did much less than I think people understand in the climate area. All we did was one piece of guidance and then we ran one stress scenario, and by the way, it did not find anything. I think you do not look to us to try to take on a bigger role or really to play any role in climate, which I personally think is an important issue and one that needs to be dealt with by elected officials and for bank regulators just to step in and take that on without a mandate from Congress is not a good idea. It is not a good solution, and it is not a good way to remain independent.

Ms. DE LA CRUZ. Reclaiming my time. What kind of climate guidance did you make?

Mr. POWELL. For just the big banks, I believe we asked to have a framework for which they would monitor their risks from lending. That is all it was, and I would say that guidance is something we are looking at pulling back.

Ms. DE LA CRUZ. When you say, "their risk for lending," their risk for lending based on political climate change. Is that correct?

Mr. POWELL. Well, I mean, I am not defending this. I am telling you what the idea was. The idea was climate change would cause certain kinds of assets to lose value, and that if banks are lending in those areas or to those industries, then they should at least be able to measure. It did not ban anybody from doing anything. It was not prescriptive. At the same time, you have the feeling that the side effect of it would be to discourage lending, and we do not want that to be the case, so that is why we are looking at it.

Ms. DE LA CRUZ. Well, it does sound like that is policy that is based on political agenda, and when it comes to banking, it should not be based on political agenda but instead on facts, facts such as credit, facts as good monetary policy. I would have to disagree with you on the fact that the Federal Reserve stayed outside or outside of political agendas. When it comes to climate change, that is a political agenda, and I would have to disagree with you on that. Thank you. I yield back.

Mr. LUCAS. The gentlelady yields back. The chair now recognizes the gentleman from California, Mr. Sherman, who is also a ranking member of the Capital Markets Subcommittee, for 5 minutes.

Mr. SHERMAN. We do not notice good bank regulations. Things just go smoothly, but in 2023, we saw the effects of inadequate bank regulation where we lost three banks. There was a proposal that passed the House that would have cut the pay rate of your bank inspectors and regulators down to 70 percent of the rate paid at FDIC, so you would have been 70 percent of what the other major bank regulation agency did. I know you have announced things about headcount, but I am focusing here on just the rate of pay. Fortunately, we were saved by not superman, but superwoman, Elizabeth MacDonough, the Senate parliamentarian, but what effect would it have had on our ability to have good bank regulation if you had to go to all the folks in doing bank regulation at the Fed and say that their pay is going to be cut to 70 percent of the rate of pay over at the FDIC?

Mr. POWELL. It would have made it harder for us to attract or to retain personnel. It also would have knocked down something we have had for 90 years, which is a sort of a moat that allows us to take care of H.R. issues on our own without Congress.

Mr. SHERMAN. Gotcha. I have a couple of questions I would like to ask you to respond to for in the record. The first is Section 899 of the big, ugly bill, big, beautiful bill, whatever you want to call it, Enforcement of Remedies Against Unfair Foreign Taxes. What this does is it imposes a tax on those residents of about 2 dozen foreign countries should they invest in the United States, including in our Treasuries, and we are trying to attract capital from abroad. This is to push out capital abroad. It does not affect China. It just affects 2 dozen of our friends, particularly in Europe.

The other thing I would like you to respond to for the record is the tariffs and the effect that has not only on the inflation rate, but, therefore, on interest rates. At your press conference, you said increases in tariffs this year are likely to push up prices and weigh on economic activity, and I would certainly like to know more about that.

The Treasury has our reserves, but you also have a liquidity fund, which I believe involves buying and selling foreign currencies,

and so that begs the question whether if you are allowed to buy the euro, whether you are allowed to buy cryptocurrencies. Of course, the President has said that some agency of the Federal Government should have a strategic crypto reserve. Do you or your successors have the legal right to take assets of the Fed and buy Bitcoin or TRUMP coin?

Mr. POWELL. No, we do not, and we do not seek this authority.

Mr. SHERMAN. I hope very much that your successor is not someone who tries to stretch existing statutes and come to an opposite answer. I would like to focus a little bit on when you came before our committee last, I guess, in February, I asked you if you would take a holistic look at bank capital requirements, including the risk-based capital ratios like Basel III Endgame and stress testing, to make sure that you do not have a contraction in the ability to provide credit to Main Street businesses, and you said you would do that. My question this time is, how does the Fed plan to sequence the various capital requirement reform proposals that we expect to see in the coming months? In what order will you proceed with reforms on Basel III, weigh risk to capital, leverage ratio, stress testing, and the Global Systemically Important Bank (G-SIB) service charge, knowing that these have interactive effects? Can you tell us what the sequence will be?

Mr. POWELL. This is the heart of what the vice chair for supervision is assigned to do, is to bring proposals to the board. She is the one who will decide that sequencing. You are right, there are many things, and it is really up to her to decide what is the timing, what is the priority. She has only been confirmed for a couple of weeks, so we are just getting going.

Mr. SHERMAN. I hope with you as the head of the Agency, even if she is supposed to decide the sequencing, that your Agency will tell us what the sequencing is going to be and understand how important it is for people to know what order those various regulations will have.

Mr. LUCAS. The gentleman's time has expired.

Mr. SHERMAN. I yield back.

Mr. LUCAS. The gentleman yields back. The chair now recognizes the gentleman from Iowa, Mr. Nunn, for 5 minutes.

Mr. NUNN. Well, thank you, Mr. Chairman, and thank you, Chairman Powell, for joining us again here. We have a saying Iowa is nice, kind of boring. We want our Fed chairman to be just the same, and you are doing a great job at that. We appreciate it.

Mr. POWELL. Thank you.

Mr. NUNN. Nothing gets boring. We like that, too. Look, you have a lot of great staff that come from Iowa as well. I appreciate you having them on your team. We also want to recognize the fact that folks in Iowa are still feeling the challenges of the last 4 years. We are middle America. It is the Heartland of the country, but it also means that impacts that change things on the coast do not always get felt the same way in the Midwest. As a result, folks are stretching every dollar as they face everything from higher grocery prices, eggs, to trying to buy just that first car or even maybe that first home and interest rates to them matter as they do everywhere else, but they are even more.

Now, I will offer the President has made great strides in making progress for Iowa families, and wage growth is moderating nationwide. Many Iowans still feel, though, that inflation spikes impact them, and with the President focused on rebuilding the middle class, I would like to talk a little bit about how the Fed ensures that this heart of the Heartland can feel the benefits of a soft landing as you have laid out.

Mr. POWELL. Oh, you are asking me how you will feel the benefits. Well, I would think, pretty open-ended question, and I think our goal is to keep the economy strong, the labor market strong, and price stability fully restored. So that is really what we can provide, is a long period of stable prices, and we define that as Chairman Greenspan used to, which is people can make economic decisions in their families, in their jobs, where they do not have to think about inflation all the time, and we are getting back closer to that place, but we are not quite there yet. That is the main thing we can now do, and once we restore price stability very soundly, that gives us the ability to react more strongly to downturns in the economy without having to worry about inflation. You know, we have limited scope, but those are two very, very important things that we can deliver that benefit all families.

Mr. NUNN. I would agree. I guess I would also like to focus here on the short-term. The Fed Reserve has slightly lower rates to ease borrowing costs for rural communities, and long-term trade negotiations strengthen our global position. Would you agree that the agricultural sector, in particular, is vulnerable to both interest rates and recognized international markets and how would the Fed evaluate the unintended consequences of policy on commodity-dependent economies in a State like Iowa?

Mr. POWELL. We have a number of our Federal Reserve Bank presidents represent districts which have extensive agricultural operations and families and farms. We hear from them kind of all the time, but we hear from them in great detail around every FOMC meeting, and we understand that time is pretty challenging right now in the agricultural sector. We take that into account. You know, ultimately, we are responsible for the aggregate level of the economy and for keeping inflation under control and maximum employment, so, but we do very much think about and take into consideration the agricultural sector and the people in it.

Mr. NUNN. We appreciate that evaluation. I know there are farmers back home as well as our bankers who value that because they are the ones providing the capital for it.

I want to talk a little bit on the national security side as the vice chair of National Security, Illicit Finance, and International Financial Institutions (Nat Sec) here. If foreign actors begin weaponizing Treasury sales or dollar reserves, what tools does the Fed have to help preserve financial stability and the dollar status as a reserve currency within the world?

Mr. POWELL. You know, essentially, what makes us the reserve currency is a few things. It is our great democratic institution, it is that we have very open capital markets, and it is that we have price stability and the rule of law. Those are the things that make you the reserve currency, and you can keep that status as long as you maintain those things. Of those things, the thing that we con-

tribute is price stability over the long run. So people who want to invest in or use the dollar they can be confident in the value of the dollar over time, that it will not fluctuate wildly or decline, and so that is our role. Really, Treasury is responsible for stewardship of the dollar, but we have that role to play as well.

Mr. NUNN. Very good. In the brief time that I have left here, I just came back from a trip to Saudi and the Arab states. Big concern here in the world we are living in right now with Iran looking at asymmetric ways to threaten the United States. Cyberattacks have been on the rise. You got a question here earlier on cybersecurity. Help us feel confident the Fed is doing everything they can to protect us from a cyber threat.

Mr. POWELL. Our part of it is the financial sector and the institutions we regulate, and they spend a lot of time and money on cybersecurity. We spend a lot protecting ourselves, and there are other parts of the U.S. Government that are very much involved in—

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL [continuing]. making us aware of cyber issues and making sure that we are all ready, and we never sleep on this because it is always getting harder.

Mr. NUNN. Thank you, Mr. Chair. I yield my time.

Mr. LUCAS. The gentleman's time has expired. The gentleman from California, Mr. Vargas, who is also ranking member and my colleague on the Monetary Policy Task Force, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. Thank you, Ranking Member. I appreciate it, and, of course, Mr. Powell. Thank you very much, Chairman Powell, for being here.

I am 64 years old. You are a little bit older than I am. In my lifetime, I know what the most dramatic economic event is, at least that I believe. In your lifetime, what do you think is the most dramatic economic event that you lived through as a country, as a world?

Mr. POWELL. As an adult, I would say the global financial crisis and the pandemic are the two—

Mr. VARGAS. No, just one. You get to pick one.

Mr. POWELL. Sorry?

Mr. VARGAS. You get to pick one. You picked two. Just one.

Mr. POWELL. I would say there is a third, which would be the Great Inflation, so I am going the wrong way here.

Mr. VARGAS. You are going the wrong way. Yes, just pick one.

Mr. POWELL. I would say the global financial crisis was, in a lot of ways scarier, than the pandemic for me.

Mr. VARGAS. You know, it is interesting because both of them were ones that I lived through, too, and I have to tell you, the most dramatic for me was the pandemic in so many ways. I had never seen anything like it where everything closed down. I remember flying here from San Diego where I live, on a 737, and there were four passengers. There were four of us on the plane. Of course, some idiot sits right next to my seat. What are you doing? Are you stupid? Move away.

But anyway, it is interesting that we did not fall into the recession, and we did not fall into a depression. I was really scared

about what was going to happen because of the way we closed down. We did not know how it was going to go, we did not know what was going to happen, and I think a big reason for that was sort of the strength that we had at the Fed, and the country came together and said we are going to figure this thing out, and we did that. You did not panic. You guys are very independent. I think everyone did their job. The reason I say that is because I do worry about the independence of the Fed now going forward.

So a question, can the President appoint himself as the Fed chair?

Mr. POWELL. It is a question, but not for me.

Mr. VARGAS. You are the Fed chair. You should know. You should know what the requirements are to be the Fed chair. Can he appoint himself?

Mr. POWELL. I do not know.

Mr. VARGAS. You do not know that question? Well, you are the Fed chair. What are the requirements to be the Fed chair?

Mr. POWELL. Nominated by the President and confirmed by the Senate.

Mr. VARGAS. Okay. So——

Mr. POWELL. I think you have to be a U.S. citizen probably, but I am not sure.

Mr. VARGAS. Okay. So far it seems like the President fits those. He is a U.S. citizen. He can propose himself, and I assume that Senators over there could confirm. Why could he not become the Fed chair also?

Mr. POWELL. Again, not a question for me.

Mr. VARGAS. Okay.

Mr. POWELL. I would not speculate.

Mr. VARGAS. The reason I ask that is because, again, I do think that we have a great system because of the independence of the Fed. I am not going to ask you this embarrassing question, although I would like to know whether you read all the things that he says about you. I am sure you do, or some people will tell you, yes, but I will not tell you what they are. I am glad you have been independent, and I think that is so important because you do look at long terms. It is not missed on you. You know that we want you all to lower the rates. You know that, both sides, right? You get that? The answer could be yes or no.

Mr. POWELL. Honestly, I am not sure I do know that. I talk to members from——

Mr. VARGAS. Well, I can say, from our side, we would love to see the rates go down, and I have heard from a number of my colleagues on the other side we would love to see the rates go down.

Mr. POWELL. I talk to a lot of members——

Mr. VARGAS. I think they pretty unanimously would like to see——

Mr. POWELL [continuing]. who says privately you are doing the right thing. I hear that from a lot of members privately. We are appointed and confirmed. My colleagues and I do what we think is right.

Mr. VARGAS. That is exactly right. It is not lost on you that we all want the rates to go down. In fact, it is really real when you say someone is locked in at 3 percent at their house their interest

rate, so they do not want to move and get a 7-percent rate. I mean, they do not want to pay that. That is real. My colleagues mentioned that, and that is truthful, and that is why it is so important to be independent because, again, it is so darn important to have an independent Fed chair and an independent Fed.

Second, the dual mandate. I respect the chairman very much, and he is a friend. I hope that does not hurt him politically, but that being said, he did ask you a question about the dual mandate. He quoted somebody else and said is that the way you see it. How do you see the dual mandate? It seems to me that you gave a little bit of a preference to price stability over maximum employment. Is that the case?

Mr. POWELL. No. I think the two things are equal under the law. You know, we have not defined it in exactly the way that the chairman said, but not withstanding that—

Mr. VARGAS. Do you agree?

Mr. POWELL [continuing]. I do think it is a reasonable way to define it, which is maximum employment is the maximum level that is sustainable or consistent with price stability over the long run. That does not make it, to me, an inferior goal.

Mr. LUCAS. The gentleman's time has expired.

Mr. VARGAS. Thank you.

Mr. POWELL. I think it is kind of implicit in a way.

Mr. LUCAS. The chair now recognizes the gentlewoman from Michigan, Mrs. McClain, for 5 minutes.

Mrs. MCCLAIN. Thank you and thank you so much for being here. I appreciate it. As a small business owner myself, access to capital is extremely important to me. So I want to talk a little bit about the Fed's balance sheet and just get a better understanding of how we are thinking about it. I mean, some experts say that the Fed's balance sheet or large balance sheet is distorting the markets and keeping long-term rates, let us say, too low. Also, I think it limits the access to capital, right? Historically, if I am accurate, the balance sheet has been about \$4 trillion prior to the pandemic, then we raised it and almost doubled it to about \$9 trillion, and now it is on kind of a downward trajectory to about \$7.2 trillion, again, if my math is right. Do you think we are on the right track in shrinking this balance sheet?

Mr. POWELL. I do, yes.

Mrs. MCCLAIN. I am trying to get a sense of what the landing spot, in your opinion, should be. Do you think we will get back to the \$4 trillion?

Mr. POWELL. No, no. So we are in what we call an ample reserves regime. Demand fluctuates, and this means the quantity of reserves can fluctuate without affecting interest rates, and we think that is a good thing. What that means is there is going to be a lot of liquidity in the banks and in the financial system. That is a good thing. There was not enough liquidity before the global financial crisis. That was one of the problems. We have some shrinking left to do on the balance sheet, but we are not going to get down as far as you asked.

Mrs. MCCLAIN. Where do you think we will land?

Mr. POWELL. You know, I cannot give you an exact number, but we are going at a pretty modest pace now. We have slowed down, kind of——

Mrs. MCCLAIN. Yes.

Mr. POWELL [continuing]. cut in half twice the speed. We think we can go for a good while at this speed, and we will learn as we go.

Mrs. MCCLAIN. So you think the trajectory, so to speak, will remain——

Mr. POWELL. Yes, and I think the fact that it is quite a gradual trajectory now is going to enable us to find that level that is ample and not scarce. When reserves are scarce, you get a lot of volatility——

Mrs. MCCLAIN. Sure.

Mr. POWELL [continuing]. and that does not help, so I think that is a good framework. You know, the ample reserves framework, I think, serves the country well.

Mrs. MCCLAIN. You are not concerned in terms of the access to capital? I mean, as a business owner, that is what I look at, is I got to be able to get capital, and some people are saying we are really hanging on to our cash.

Mr. POWELL. You know, honestly, I think if you took the trouble to go back to a much smaller balance sheet, it would have no effect whatsoever on capital ability for companies.

Mrs. MCCLAIN. Why do you say that?

Mr. POWELL. We would not do that at all. We are not pulling capital away from companies. That is not what is happening. It is just that you have a big balance sheet where there is a lot of liquidity. The result is there is a lot of liquidity. Banks are flush with liquidity for the most part, and that actually enables lending. It probably would not have much of an effect one way or the other——

Mrs. MCCLAIN. So you are comfortable——

Mr. POWELL [continuing]. if we went back to a smaller balance sheet.

Mrs. MCCLAIN. So you are comfortable with the liquidity? You are comfortable with the access——

Mr. POWELL. Yes. I mean——

Mrs. MCCLAIN [continuing]. to capital? Excuse me.

Mr. POWELL. You know, we look at credit availability for smaller businesses, and right now, conditions are a little bit tight, but——

Mrs. MCCLAIN. Yes, it is tough for people in my district.

Mr. POWELL. Yes.

Mrs. MCCLAIN. It is tough.

Mr. POWELL. I would say that they are not terribly tight, but we do see that there is some tightness, but that is not really a function of the size of the Fed's balance sheet. That is just that banks are perhaps a little risk averse in this uncertain environment.

Mrs. MCCLAIN. Yes. I think it all goes together and is kind of intertwined, but I appreciate that. I want to just switch gears a little bit. Are you seeing any signs of financial instability building beneath the surface that we may not be seeing maybe on top of the surface, whether it is in commercial real estate, private credit, re-

gional banking? Anything you are seeing underneath the surface that could derail the growth path that we should—

Mr. POWELL. Not really, no. There are a lot of pots that we need to watch to see that they do not boil over. Commercial real estate (CRE) has been a problem for 5 years. We are working our way through it. I think we are making good progress there. It is not getting worse. It is getting a little better. Private credit has its real positive attributes. It is not funded by deposits. As long as it is not funded by retail or by deposits, it is actually fine for financial stability, but it is a very big and fast-growing sector, and it has not been through a real downturn, and it is quite diverse, so I think it bears close watching. I mean, asset prices are high, and leverage is not particularly high for corporations and households historically. It is not particularly high for banks. Banks are well capitalized, so I think overall financial stability conditions are not in a place where we worry a lot.

Mrs. MCCLAIN. So we are really poised in a pretty good position economically?

Mr. LUCAS. The gentlelady's time has expired.

Mr. POWELL. I think so, yes. Absolutely.

Mrs. MCCLAIN. Thank you, Mr. Chair. Thank you.

Mr. LUCAS. Absolutely. The chair now recognizes the gentleman from Illinois, Mr. Casten, for 5 minutes.

Mr. CASTEN. Thank you, Mr. Chairman, and, Chair Powell, nice to see you again. We spoke in February about some concerns I had about some of the cuts and some of our economic data reporting agencies, and I think you had said at the time that you did not have a concern, but you would alert us if there were concerns. You mentioned this with Mr. Luccardo, and I am paraphrasing you. I think you said that you are not concerned about your access to data right now, but I think you said that you do not like the direction of travel.

Well, first, I am going to work under the assumption that as the chairman of the Fed, you probably have more access to economic data than just about anyone in our country. I am more worried about the impact on smaller businesses that do not have your access to data, whether someone is thinking about hiring decisions, looking at regional inflation rates, and all the data we get from those resources. If an efficient economy depends at some level on equal access to information, how concerned should we be that our business community with some of these cuts to BLS and elsewhere is not going to be able to allocate capital as efficiently as otherwise would be in this moment?

Mr. POWELL. The reality is that essentially all the data we use overwhelmingly is public data. The difference is not that we have more access. The difference is that this is our job, and we follow the data very, very closely, but the employment reports, the CPI reports, the analysis of that by many economists, internal and external, we just spend all of our time on this stuff, but I think large businesses have the exact same—

Mr. CASTEN. But I am talking like—

Mr. POWELL. Smaller businesses—

Mr. CASTEN. BLS has announced they are cutting 350 indexes, so that data is no longer going to be public data.

Mr. POWELL. That is a different thing, okay? I do not want to say, and it would not be true to say that we cannot do our jobs with the data that we have now. That is just not true. These jobs, you are always going to make mistakes. It is never going to be certain at any time, but I would say, seeing that survey sizes are shrinking, and we are seeing more volatility, for example, in the labor market data, lower response rates, and things like that, that is not good, you know. We should be getting better and better and better.

Mr. CASTEN. Yes.

Mr. POWELL. By the way, we use more and more big private sector datasets, and that is a relatively new thing over the last 5 or 10 years.

Mr. CASTEN. Sure. Yes, and oftentimes—

Mr. POWELL. The U.S. Government data has been the gold standard.

Mr. CASTEN. Yes, and I guess I get concerned because some of those datasets, of course, you have to pay for, and not every business can afford that. Staying on the data point and picking up on what Mr. Himes was saying, I think only a fool would predict what is going to happen in the Middle East right now. The Saudis have been very open that they would like to not see the price of oil get above a point where they are going to lose market share much to the dismay of U.S. frackers. U.S. frackers have been wanting to see it go the other direction. I do not know how to handicap which group is going to have more impact on Trump right now, but I would like to have some smart person out there taking a position on what is happening in oil markets, and the Energy Information Administration has now announced they are not going to run the International Energy Outlook anymore. Should we be concerned about that piece of data as we think about what is happening in global energy markets right now, given all the pressures between various suppliers of where they would like to see the price go and the wildcard that is Iran and the Red Sea?

Mr. POWELL. You know what? I do not particularly know that specific report. You know, I know there are many, many, many entities that do data analysis around energy and oil, and the availability of it, and the price of it, and all those things, so I cannot speak to that one report.

Mr. CASTEN. Okay. In my own experience before coming here, I relied a lot on that, and if I was in my past job, I would now basically have to rely on the International Energy Agency, which, in general, was not as robust as the Department of Energy (DOE) data, and so it is a gap. I guess maybe I will just close with I think a lot of this gets tied together with the Office of Financial Research, which would presumably be synthesizing a lot of this information for you. Your predecessors, Janet Yellen and Ben Bernanke, both recently urged the opposition to cuts in Office of Financial Resources that are in the bill that the Republicans are pushing through. Do you share your predecessors' concerns about the importance of that Agency to synthesize some of these disparate things so that you can do your jobs, that the American people can do your job, or do you share the views of the Republican Party that Agency is not necessary?

Mr. POWELL. I am not going to take position on the bill, on the reconciliation package, on specific issues like that do not relate to us. I will say generally—

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL [continuing]. I am a big fan and everyone at the Fed is a big fan of good data collection.

Mr. LUCAS. The gentleman's time has expired. The chair now recognizes the gentleman from Montana, Mr. Downing, for 5 minutes.

Mr. DOWNING. Thank you, Mr. Chair. Our national debt now exceeds \$36 trillion. Congressional Republicans have made it our mission to rein in out-of-control spending from repealing the green new scam, enacting commonsense Medicaid and Supplemental Nutrition Assistance Program (SNAP) reforms, and rescinding wasteful spending. Mr. Chairman, you have repeatedly said our national debt is not currently at an unsustainable level, but it is on an unsustainable path. Can you describe what the point of no return looks like when our debt reaches an unsustainable level?

Mr. POWELL. There is no way to know exactly what that is, but ultimately, if the debt is growing substantially faster than the economy, by definition, at some point it will not be sustainable. We do not have oversight responsibility over the fiscal authorities. That is traditionally what my predecessors have limited themselves to saying, and I will say it, too.

Mr. DOWNING. What effect would that have on the economy?

Mr. POWELL. So you would see rates go up. You will have to fix the problem eventually. If you wait too long, it will be much more painful.

Mr. DOWNING. Yes, I believe the U.S. dollar status as the global reserve currency is essential. It allows the U.S. to borrow at lower costs, which stimulates economic growth and increases standards of living. The Trump Administration is actively negotiating to ensure we are no longer taken advantage of by our trading partners. At a previous Monetary Policy Task Force hearing, all of the witnesses agreed that the recent volatility in the Treasury markets did not permanently damage the dollar's global reserve currency status. Do you agree?

Mr. POWELL. I do.

Mr. DOWNING. Thank you, sir. Let me turn to oversight of the Federal Reserve. I certainly believe that had the Federal Reserve responded faster by raising interest rates earlier to combat the inflation crisis of the previous administration, that interest rates would not be as high as they are now. I hear frequently from my constituents that they are increasingly getting priced out of the housing market while interest rates remain near record highs despite the rate of inflation coming down. Mr. Chairman, I appreciate the Fed's increased transparency under your leadership, and you have always welcomed congressional oversight into the Fed, and I also appreciate the comments you have made about the limits of our knowledge, demanding humility. With that in mind, can you point to oversight practices of other governments into their central banks that could be replicated with the Federal Reserve?

Mr. POWELL. That is an interesting question, and I want to think about that. I will come to see you, and we can talk about that.

Mr. DOWNING. Thank you, sir.

Mr. POWELL. We have effective oversight from this committee and from the other committee in the Senate, and I think that is important.

Mr. DOWNING. Would you be supportive of an outside independent group of analysts or economists that conducts a periodic review of the Fed's economic assessments and modeling?

Mr. POWELL. Those are ideas I would like to think about and discuss privately before—

Mr. DOWNING. Do you have any other ideas to increase oversight in the Federal Reserve?

Mr. POWELL. Like my predecessors, I have fostered more and more transparency at the margin, and I think that is appropriate. I think transparency is critical if we are to maintain our democratic legitimacy. I have tried that, but I will devote some more thought to that question.

Mr. DOWNING. Well, I look forward to following up, and I thank you for your responses, and on that, Mr. Chairman, I yield.

Mr. LUCAS. The gentleman yields back. The chair now recognizes the gentleman from Texas, Mr. Gonzalez, for 5 minutes.

Mr. GONZALEZ. Thank you, Mr. Chairman, and thank you, Chairman Powell, for being here with us today. I understand commenting on some policy issues are outside of your purview, but I have one that I think is heavily impactful on the American economy right now, and I want to underscore the scale and impact of the ICE raids that we are seeing across the country.

Pew Research estimates that over 10.5 million undocumented individuals live in the United States, more than 3.3 percent of the population today, and according to the nonpartisan American Immigration Council, removing this workforce could cost the U.S. economy between \$1.1 trillion and \$1.7 trillion in GDP and billions in tax contributions, including \$22.6 billion in Social Security and \$5.7 billion in Medicare funds that are increasingly critical as our population continues to age. These are resources that are paid by these undocumented workers that have been here for a long time. Many of them have been here for a very long time. That is why I plan to introduce the Save the American Workforce Act, which would establish an employee-sponsored temporary work authorization for undocumented immigrants who have been in the country for 3 years or longer and have never been in any kind of trouble, no criminal liability or nothing else.

Additionally, last week, I sent a letter to President Trump urging him to halt indiscriminate deportations and issue an executive order that would do exactly what my bill does to protect American businesses that need a workforce. The last I heard, I think we have 7 million open jobs. We have record low unemployment, which is great, but we have 7 million open jobs that we cannot fill by American workers. What economic consequences would we face if these individuals were removed from the workforce, even further hurting the situation that we are in? Could this disrupt the economy even more severely than what we experienced during the Great Recession?

Mr. POWELL. As you might expect, Mr. Gonzalez immigration policy is just not for the Fed to comment on or to let alone make, and so I am reluctant to engage with you on that.

Mr. GONZALEZ. Okay. Okay. I want to talk to you about something a little different, and this is a banking issue. Banks are making billions of dollars of construction loans across the country that are timelined, and contractors are not able to fulfill their obligation because they do not have the labor force in the middle of the jobs to finish. I mean, I am hearing stories in Texas at least where people are pouring concrete at midnight. Are you all having any kind of conversation with the administration on how this could impact the economy and our GDP?

Mr. POWELL. We have very deep connections all over the country through the reserve banks, and we hear some of the same stories. You know, we are not the policymakers here. We do not report this to the administration. You know, we do not publicly have a view on it. It just is what it is, so.

Mr. GONZALEZ. Yes.

Mr. POWELL. Our maximum responsibility is maximum employment, price stability, and many, many other factors affect those goals, but we do not make those goals. We do not make the policy in those extraneous areas, which include things like energy, for example, immigration, fiscal policy, or any number of things. We try to stick to our knitting because that is how we remain independent.

Mr. GONZALEZ. Yes. We are living in such unconventional times that it would be great if we were having those conversations in the administration but moving on. The U.S. dollar has also long been the world's dominant reserve currency, but that position is facing growing pressure. As of 2024, BRICS nations led by China and including Brazil, Russia, India, and South Africa, have stepped up efforts to reduce their reliance on the dollar in global trade. China, for instance, has expanded the use of the yuan in energy transactions and cross-border payments, while BRICS is actively developing alternative payment systems that could erode the dollar's global role. At the same time, inconsistent and unpredictable economic policies from the White House have contributed to a drop in the dollar's value, now at its lowest level in 3 years. What risk does a weakening dollar pose to our economy, particularly to U.S. borrowing costs, inflation, financial stability as China and BRIC nations expands their efforts to challenge the dollar's global dominance?

Mr. POWELL. By long agreement and custom and tradition, the Treasury Department has responsibility for the dollar and dollar stewardship. I would say we also are involved in payments policy. We and the other major central banks are very aware of other payment developments, and are working on ideas to make sure that the payment systems that support the dollar and other——

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL [continuing]. major currencies of the democracies are well supported by that infrastructure.

Mr. GONZALEZ. Thank you. I yield back.

Mr. LUCAS. The gentleman's time has expired. The chair now recognizes the gentleman from Florida, Mr. Haridopolos, for 5 minutes.

Mr. HARIDOPOLOS. Thank you very much, Mr. Chairman, and thank you, Chairman Powell, for being here today and answering these questions for us. It is very much appreciated.

Looking back over the last few years, I think the question a lot of people have been asking me as they really were suffering through the challenges with higher prices across the board. I know they got as high as over 9 percent inflation in 2022, and there was a lot of discussion about was it Ukraine, was it transitory, was it post-COVID, what was the reason, and this is your field of expertise. If you look back and you are teaching a history class, what would you blame the increase in prices on back in that time period?

Mr. POWELL. I will start with the fact that it was extremely global. There literally was a point at which not a single country in the world had inflation 2 percent or below, so it was everywhere. You have to look to common factors, and I would say that the pandemic and the closing of the global economy and then the reopening of it, in all cases with some support, that is a big part of the story. Clearly, though, there is a role in that for fiscal policy, there is a role in that for monetary policy, and I like to think all of those factors were involved, and when it happens everywhere in the world, you cannot look to one thing. You got to look to a common factor, and I think that common factor is what happened around the pandemic.

Mr. HARIDOPOLOS. Sure. Good. I mean, I hate it, Monday morning quarterback, but if you had to do it over again, you had this opportunity. As you know, the rates stayed pretty flat in 2021 as inflation crept up, what would you do differently today if you had the opportunity to look back and make some changes?

Mr. POWELL. I have perfect hindsight in this—

Mr. HARIDOPOLOS. Yes, sir, if you had it. Yes.

Mr. POWELL. Sure. Clearly, I would have raised rates a little earlier. I honestly do not believe it would have made much difference to the outcomes, but we would have looked a lot smarter, but that is something I would have done. You know, ultimately, we did get all the way back to 2 percent inflation, just about, without having a big increase in employment. So that was not at all expected. I do not know how that would have affected my behavior, but somehow things really came out much better than everyone had anticipated, was that it would take high unemployment to restore inflation, but it did not.

Mr. HARIDOPOLOS. The other pressure point that I heard a lot of people talking about is this idea of the tariff issue. I have heard for months now that the sky is falling, but it seems at this point at least that the inflation rate is pretty steady. How many months of steadiness do you need before you might look at an even larger rate cut from the 4.33 I think we have today?

Mr. POWELL. Yes, so you are right. The non-tariff parts of inflation that we have been working on for 3, 4 years are behaving really well, and that was our forecast, but it is good to see it coming true. Tariffs take a while to work their way through the distribution chain, several months, and I would say we would expect to see meaningful effects kind of in June, July, or August, and if we do not we will be learning something. We have a highly adaptive, flexible economy, and it is certainly a possibility that the tariffs that we expect will come through in a much smaller level. We cannot know that until we actually see it, but I think we will be learning as we go, and if we see that, then that would lead us to want

to cut earlier. The other thing that would lead us to want to cut earlier is if we actually did see some weakness in the labor market of a troubling nature, and we do not see that. Those are the two things we will be looking for.

Mr. HARIDOPOLOS. The last question I would ask is, at that same time period, where, as you put it, the global issue of inflation, I get that, but at the same time, there was pretty radical increase in spending in 2021 by the Federal Government. What factor did that play in the inflation level?

Mr. POWELL. Certainly, a factor, I would say. As I mentioned, fiscal policy definitely played a role. I think if you take a step back from those things, what happened was demand came back so much stronger than we expected. In late 2021, early 2022, you had the pandemic still going on and Omicron going. Was it 2021? Yes, 2021 into 2022, and demand was just much stronger than people expected, and, by the way, the supply side was much slower to recover, so that is the labor force. That is all of the snarled-up supply chains. The supply side took a long time to recover and demand was much stronger. That story created the high inflation. Behind that, fiscal policy played a role, the spending did, monetary policy played a role, and the pandemic played a role—

Mr. HARIDOPOLOS. But you would agree that the government spending did play a significant role in that as well?

Mr. POWELL. Yes. I would say that, yes.

Mr. HARIDOPOLOS. Thank you. Thank you, Mr. Chairman.

Mr. LUCAS. The gentleman yields back. The chair now recognizes the gentleman from Illinois, Mr. Foster, who is also ranking member of the Financial Institutions Subcommittee, for 5 minutes.

Mr. FOSTER. Thank you, Mr. Chair. You know, following up actually on Rep. Gonzalez's line of questioning, so in addition to your dual mandate, do you believe that preserving the U.S. dollar and the primacy of the U.S. dollar is part of your job description?

Mr. POWELL. It is not formally part of our job, but, yes, it is something that we care about, and we certainly would not want to undermine that, but really, Treasury has the primary role around the dollar. That has been the case for some time now.

Mr. FOSTER. Yes. I was just wondering how you deal with the sort of worldwide drop in investor confidence in dollar-denominated assets frankly due to a President who kind of disregards conventional economic theory and whose answer to nearly every question seems to be, well, I have not decided yet, or maybe I will give you an answer in a couple of weeks, maybe I will just comment. It must be challenging.

Now, one of the things I have been very concerned in terms of the job market is artificial intelligence and the coming impact there. We are seeing predictions by the leaders of the leading AI firms that within 1 to 2 years, a majority of entry-level white-collar jobs will be gone. Then there are products that are being released to market that propose to do pretty much exactly that, and I anticipate pretty high uptake of those things to, essentially, eliminate back-office operations in small businesses, things like that, or intermediate-sized businesses, and we are already seeing layoffs in the Big Tech firms. Microsoft had a big round of layoffs where 40 percent were computer coders and maybe another 20 percent su-

pervisors of computer coders, and so I was just wondering what sort of analysis the Federal Reserve is doing about that job shock, and how is it going to affect your dual mandate when it lands, perhaps as early as the next year or 2?

Mr. POWELL. I think economists everywhere are doing work analyzing the potential implications of AI for employment and some of the very things that you mentioned, and we are certainly both consumers and producers of that kind of research, you know. I certainly cannot make any positive statements with great confidence about what will happen, but there is certainly a possibility that at least at the beginning AI will replace a lot of jobs rather than just augmenting people's labor.

The history shows that, generally, new technology raises productivity and creates new jobs over time, but it can be disruptive in the very short term, and anyone who has been exposed to AI has to be kind of stunned with what it is capable of. If you think, oh, this is just the beginning, they say that 2 years from now, the things you are looking at will be left behind by the continued development. I think it is certainly everything you would want in a transformational technology, and I think unknown, but certainly there will be important effects on the labor market. I hear the same things you mentioned from CEOs that they can see a way to significant reductions in employment, but I do not think we know that.

Mr. FOSTER. Yes, but the question is, are you developing a playbook for this shock and part of your job is to look at tail risk, and this is probably not even a real tail risk at this point. You know, a lot of the CEOs think it is more probable than not. We have seen law firms just not hire the same number of junior associates just across the economy. Are you actually developing a playbook in case the shock is real and what you may or may not be able to do with monetary or other policies?

Mr. POWELL. The playbook is really in your hands and in the private sector's hands. We will be trying to maximize employment, and that will be what we do, and at the same time, we maintain price stability.

Mr. FOSTER. Yes.

Mr. POWELL. You are talking about transitioning people into new jobs and new lives and—

Mr. FOSTER. Before AI wipes out those new jobs you are retraining them for, okay, but think about it. I urge you to think about it and what you will do if that job shock hits.

So last week, the Fed put out a request for information on ways to mitigate check and payment fraud. Despite a decline in the use of checks, check fraud is really very prevalent, and I was happy to join Chair Hill in sending you a letter and other banking regulators as well as the Financial Crimes Enforcement Network (FinCEN) urging action. Can you summarize what you have in mind doing in response to that letter or what you have learned, the outreach that resulted from it?

Mr. POWELL. So this is on the check fraud thing? I just know we just started a request for information, and I think we are starting a process of gathering a bunch of information—

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL [continuing]. for really focusing on that issue.

Mr. FOSTER. Okay, and if you could say what you are actually going to do in response, that would—

Mr. LUCAS. The gentleman's time has expired.

Mr. FOSTER. Thank you. I yield back.

Mr. LUCAS. The gentleman yields back. I now recognize myself for 5 minutes.

Chair Powell, we have discussed this several times before, but the issue remains, so I continue to raise it. I sent you a letter several months ago urging you to seek public comment and permanently revisit the SLR and eSLR, particularly given the constraints current calculations places on market participants' ability to intermediate in the Treasury market. I am glad to see that you are meeting tomorrow to discuss the issue, and I know you have discussed this with Mr. Flood.

I want to clarify a couple of things. The last time you testified before the committee, you said you were concerned about the levels of liquidity in the Treasury market and that one obvious thing to do would be to reduce how binding the SLR on intermediate capacity. Are you considering changes in the SLR and eSLR, and will you consider exempting Treasuries and reserves from the SLR and eSLR?

Mr. POWELL. I do think we have effectively raised the capital tax on all kinds of intermediation activities, and that certainly includes Treasury market activities, so I have long favored leverage ratio reform. So we are putting out a document for comment, which will seek comments on one particular proposal and alternatives to that proposal, as I mentioned earlier.

Mr. LUCAS. Which I think answers my next question. Will you look at changes at the leverage ratios that constrain a bank's ability to participate?

Mr. POWELL. Yes, that is the idea.

Mr. LUCAS. In your view, would allowing netting mechanisms for derivatives on Treasuries encourage participation in the market, and would you consider looking at that with your prudential counterparts?

Mr. POWELL. This is for derivatives?

Mr. LUCAS. Uh-huh.

Mr. POWELL. My first phone call on that would be to Vice Chair Bowman to ask her what she is planning, but I am certainly open to that conversation.

Mr. LUCAS. Absolutely. Let us discuss the framework review. You said that the review of the consensus statement is complete, but potential changes to communication strategies and tools may continue into the fall. When can we expect the framework review to be complete, and will you provide opportunities to receive feedback from members, industry, and the public on any changes the Board is considering?

Mr. POWELL. The framework review, there are two parts of it: There is the consensus statement, which contains our monetary policy framework, and then there are communications. On the first, the framework, we have had the meetings that we needed to have to talk about the employment mandate and the price stability mandate and how we might change the framework. Now comes the dis-

cussion between participants on the committee, all 19 of us, about exactly what language to use in the new framework, and we are just entering that phase between these two meetings and at the July meeting, and, hopefully, we will be able to announce something near the end of the summer. By the way, we have laid this out a little bit in the minutes as we go.

Mr. LUCAS. One last question. The Monetary Policy Report (MPR) notes that the FOMC's policy deviates from the first-difference policy rule. Will you provide a justification for why the FOMC decided against that path?

Mr. POWELL. Against the first-difference rule?

Mr. LUCAS. Uh-huh.

Mr. POWELL. Well, as you probably know, there are five rules that we talk about there, and the first-difference rule is the one that calls for a price hike. The other four say that we are in the right place. So the Taylor rules generally are very supportive for where we are, it so happens right now. The first-difference rule is a very interesting concept, which we can talk online, which has a lot of appeal, but it can be a little bit volatile, too, and right now, it is calling for a rate hike. The other four are calling for us to hold our policy where it is.

Mr. LUCAS. The irony. Thank you, Mr. Chairman. I yield back the balance of my time, and I turn to the gentleman from Oregon, Ms. Bynum, for 5 minutes.

Ms. BYNUM. All right. Thank you, Mr. Chair. I want to start off with just kind of a foundational belief I have. This Big Beautiful Bill is trash, and it is actually increasing our costs. Thank you for being here today. I was just back home and saw firsthand that businesses across the country, across my State, are worried about inflation and rising costs, and particularly for our State where we make chips, we import, export agriculture, and we have apparel, so we just want to level set there.

My Republican colleagues have actually been focused today on asking you to lower interest rates, but they are seeming to ignore the market chaos that the President has caused. My first question is, it is my understanding that one of the key responsibilities of the chair of the Federal Reserve is to stabilize prices and fight inflation. Is that right?

Mr. POWELL. Yes.

Ms. BYNUM. By my count, the President, President Trump, has changed or announced a new tariff or a delay of previously announced tariffs 19 times, and so has the President's ever-changing tariff made it easier or harder to stabilize prices and fight inflation?

Mr. POWELL. I, by practice, never comment on things the President does or says.

Ms. BYNUM. Has the administration's policies on tariffs—

Mr. POWELL. Or the administration.

Ms. BYNUM. Has the change in policy on tariffs made it easier or harder?

Mr. POWELL. It is not up to us to judge these changes. These are things that elected politicians get elected and do, and it is just not our job. You know, our job is to provide stable prices and maximum employment to the public, and that is what we do. Some of the

price increases from tariffs will flow through to the consumer. We do not know whether that will be persistent or how large it will be, and so right now, we are kind of in watch and wait mood until we have a better sense.

Ms. BYNUM. Is it your sense that back to school will be affected, the holiday season would be affected? You mentioned it a little bit earlier, you did not say the exact timeframe, but you thought maybe a few months we would start to see changes from tariff and perhaps—

Mr. POWELL. Well, I think we are going to be learning as we see. Before the July meeting, we will get an inflation report well before that. We expect to start to see meaningful increases through the goods channel, and if we do not see that, then that will be telling us something. We will be learning from that, and by the way, we also will be looking at the labor market. If it weakens unexpectedly, we will be looking at that, too. We will continue to adapt to the evolving situation, as we have been doing.

Ms. BYNUM. Thank you. What market conditions would make it so that the Federal Reserve would be able to lower interest rates, which would also lower costs?

Mr. POWELL. Yes. As I just mentioned, I would say if we were to see that inflation is not coming through as our forecast and other public forecasts have suggested, that would push us in the direction of being able to cut sooner. Also, if the labor market were to weaken, that would push us in the direction of being able to cut sooner. I think if the opposite happens, if the labor market remains strong and we do see higher inflation, I think we will still get around to cutting, but it would be later rather than sooner.

Ms. BYNUM. What do you think American families are expecting from the Federal Reserve?

Mr. POWELL. Stable prices and maximum employment. That is what we want to deliver, and we want people to feel so confident of price stability that they never think about inflation. That is where we were for a very long time, and we have made a lot of progress back to that place, but we are not quite there yet, and we are going to finish that job.

Ms. BYNUM. Is there a plan that the administration has presented on how it plans to lower costs as opposed to providing tax breaks for billionaires?

Mr. POWELL. It is really not up to me to discuss the administration's priorities or policies.

Ms. BYNUM. Okay. I am going to quickly switch gears here. It seems to me like you are under a lot of pressure from the President to address the national debt. True? False?

Mr. POWELL. Sorry?

Ms. BYNUM. Are you under pressure from the President to address the national debt?

Mr. POWELL. Our role is maximum employment and price stability. Fiscal policy is the responsibility of Congress, and so it is not really within our ambit.

Ms. BYNUM. I think that despite all of the talk about national debt, this big, beautiful trash bill continuing to do that will actually raise the national debt. Thank you for answering the questions today and continuing to work to lower costs and—

Mr. LUCAS. The gentlelady's time has expired.

Ms. BYNUM. Thank you.

Mr. LUCAS. Thank you. The chair now recognizes the gentleman from Kentucky, Mr. Barr, who is chairman of the Subcommittee on Financial Institutions, for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman, and thank you, Chairman Powell, for the generosity of your time. We are at the witching hour but appreciate your endurance, and with respect to the gentlelady's line of questioning, would a recession that would potentially result from a massive tax increase, a \$4 trillion tax increase, would a recession help the debt and deficit picture?

Mr. POWELL. No. Tax receipts would go down and all that.

Mr. BARR. Yes. I think this sky-is-falling scenario about the One Big Beautiful Bill; we have to put it into context. I am not asking you, Chairman Powell, to comment on this, but this is my editorial response to my colleague. A massive \$4.5 trillion tax increase that would put us into a recession is not a recipe for fiscal discipline.

Chairman Powell, let me switch gears to tariffs. Governor Waller argued in a speech earlier this month that tariffs might result in just a onetime price increase as opposed to increasing long-term inflation expectations, especially since this Congress has not pumped massive spending into the economy as Democrats did under President Biden. On this issue of a one-time price increase versus inflation expectations, do you generally agree with Governor Waller's analysis?

Mr. POWELL. I do agree that, basically, if things are a one-time increase, then you do not respond to them. That is the whole idea, is there is a shock to prices. It could be an oil shock. It could be a tariff shock. Generally speaking, you do not respond if you are highly confident that it will just be a onetime shock. I think the current situation, though, is a complicated one, and I think a number of my colleagues, and I feel like it is a decision we need to take with some care, and the reason is because we are not at price stability. In 2018 and 2019, when the President's tariffs were put into place, not only did we not raise rates, we cut rates 3 times that year because the tariffs were so much smaller. These tariffs are many times larger, and they do raise kind of more concern. In 2019, we had not had high inflation in 30 years. Now we are only a few years away from high inflation, so we think that it may well prove to be a onetime thing, but in the meantime, it is a decision we want to approach with some care.

Mr. BARR. I think we made a lot of progress toward getting closer to that 2-percent goal. Does the Fed take into account the disinflationary fiscal policies like supply side tax cuts, deregulation, and more energy production that could be a counterweight to whatever onetime price increase that might materialize as a result of tariffs?

Mr. POWELL. So we look at aggregate inflation, not any particular kind, and I am very gratified at the performance of services inflation, which has come down now. That was the very sticky inflation. So I think overall the inflation picture is actually pretty positive.

Mr. BARR. Chairman Powell, we are looking forward to this rule-making later this week addressing Treasury market liquidity. Can you talk about how banks are constrained from holding U.S. Treas-

uries and other low-risk assets on their balance sheet as a result of these restrictive leverage ratios?

Mr. POWELL. Yes. When banks are bound by the leverage ratio, when that is the binding capital constraint, then that is going to make sort of low-risk, low-return assets, something you do not want to hold, and so lots of fairly low-risk intermediation, including Treasury market intermediation, gets taxed to the point with capital requirements that you just see less of it. I have always thought that it would be better if there was a backstop rather than the binding thing, and that is what this proposal is going to do.

Mr. BARR. Well, let me preemptively thank you and Vice Chair of Supervision Bowman for working on SLR reform to accommodate more bank holdings of Treasuries to stabilize our Treasury markets. Finally, I am pleased to see that the Fed joined its inter-agency counterparts and announced that you no longer plan to consider reputational risk in your examination process. Senator Scott and I introduced the Financial Integrity and Regulation Management (FIRM) Act to stop the weaponization of the supervision process to stop the targeting of politically unfashionable groups. Our bill requires regulators to focus on the true risks as opposed to political factors. What was the Federal Reserve's thought process in implementing this commonsense reform?

Mr. POWELL. That it is commonsense. You know, I think this is an area where we have learned over the last couple of years that there really was a problem here. The reports were louder and louder and more and more troubling, so we just thought let us take this off the table. It may have been—

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL [continuing]. unintentional on the part of banks. It was just such a fraud issue that banks turned away people with—

Mr. LUCAS. The gentleman's time has expired.

Mr. POWELL. We did not intend to discriminate. That is what the banks—

Mr. BARR. Thank you for helping to depoliticize the banking system. I yield back.

Mr. LUCAS. The chair will now announce the membership. We will recognize Mr. Torres and Mr. Loudermilk, then adjourn for our 1 p.m. agreed-to hard stop time, and with that, the gentleman from New York, Mr. Torres, is recognized for 5 minutes.

Mr. TORRES. Thank you. Chair Powell, you spoke about elevated uncertainty and declining sentiment in the U.S. economy. Do you believe, as I do, that the economy would be in a better position but for the elevated uncertainty and declining sentiment created by the Trump tariffs?

Mr. POWELL. I do not want to be criticizing policies. I will say uncertainty has—

Mr. TORRES. It is fair to say that the policy created uncertainty?

Mr. POWELL. It is fair to say uncertainty was very elevated, but it is also fair to say that uncertainty has actually come down since the peak, if you will, in April. I think there is a different feeling out there now than there was 2 months ago, and it is more constructive feeling on the part of businesses, which you must be feeling, too.

Mr. TORRES. But it is higher than it otherwise would be in the absence of the Liberation Day tariffs. To what extent was the elevated uncertainty a factor in keeping the Fed from cutting interest rates?

Mr. POWELL. I think that is part of it. The truth is we were cutting rates, and we paused in January and have not cut rates since, and really, the reason is that we, like other forecasters, do expect a fairly substantial wave of price increases to come through to the consumer and to measured inflation. We have always said the timing, amount, and persistence of all that is highly uncertain. I think we had not expected to see it until now. We now begin to think it is time for us to be seeing that, and if we do not see it, that will matter. If we do see it, that will matter, so we have just taken a cautious approach to not moving our policy rate until we have a little more confidence about the size and likely effects of that.

Mr. TORRES. Chair Powell, following the so-called Liberation Day tariffs in early April, we saw something the U.S. economy had not seen in decades: a flight not to the U.S. dollar as a safe haven, but away from it. Since President Trump's inauguration, the U.S. Dollar Index has fallen by nearly 10 percent, marking the worst first half performance for the dollar since 1986. At the same time, Japan, America's largest sovereign creditor, just saw the worst 20-year Japanese government bond auction since the 1980s, raising fears that it could reduce its holdings of U.S. Treasuries. Given these developments, do you believe, as I do, that the U.S. may be transitioning from a period of dollar dominance to a period of dollar decline?

Mr. POWELL. Well, let me say the Fed does not have responsibility for the dollar. That is really the Treasury——

Mr. TORRES. But I am asking for your analysis.

Mr. POWELL. I would not make that statement. Things have been volatile. The markets are digesting things, and I think the Treasury market has been fine. By many measures, the dollar is still highly valued.

Mr. TORRES. You feel the safe haven status of the dollar is as strong as it has ever been?

Mr. POWELL. I think the dollar is still the number one safe haven currency. You know, I would say these narratives of decline are premature and a bit overdone.

Mr. TORRES. I want to ask about the debt. The Big Beautiful Bill would have ugly consequences for our Nation's finances, adding more than \$2 trillion to the debt if the provisions are temporary, and far more if made permanent. We have accumulated World War II levels of debt, not during a world war, but during peacetime. Interest payments on the debt have become the largest item in the Federal budget after Social Security, surpassing Medicaid, Medicare, and military defense. To what extent is the U.S. at risk of entering a debt spiral, in which rising interest costs lead to ever larger deficits, which, in turn, lead to ever larger interest cost?

Mr. POWELL. Yes. I think that the U.S. Federal budget is on an unsustainable path. The debt is not on an unsustainable level right now, but the path is not sustainable, and I think the sooner we deal with that, and by we, I mean you, the better.

Mr. TORRES. The Trump Administration has championed the unitary executive theory, the notion that the President has absolute power over all entities that wield executive power. That theory, if taken to an extreme, would all but abolish the independence of the Federal Reserve. If monetary policy became nothing more than an expression of Presidential will and whims, what havoc would that wreak on the U.S. economy?

Mr. POWELL. I think that independent central banks have proven over time to be a valuable and critical institutional practice, and I think that is because, basically, advanced economies, democracies around the world have given their central banks a degree of operational independence. They assign them goals. You go do this, and you stick to those things. You know, you may choose the means of achieving those goals. It is called instrument independence, but not goal independence, and I think it is a very important——

Mr. LUCAS. The gentleman's time has expired.

Mr. TORRES. Thank you.

Mr. POWELL [continuing]. practice.

Mr. LUCAS. The gentleman's time has expired. The chair now recognizes our last member of the day, the gentleman from Georgia, Mr. Loudermilk, for 5 minutes.

Mr. LOUDERMILK. Well, thank you, Mr. Chairman. Chairman Powell, it is good to see you again, and I am going to be brief, so maybe we can get out of here right at time.

As some of my colleagues know, I chair the bipartisan Payments and FinTech Caucus, along with a fellow Georgian on this committee, Representative David Scott. In the past, you and I have talked about payment-related issues like FedNow, but today, I would like to ask you about the failure of Synapse Financial Technologies, a third-party service provider that connects banks with non-bank fintechs and what it means for the bank and the nonbank ecosystem.

Last year, a dispute between Synapse Financial Technologies and Evolve Bank & Trust revealed a shortfall in customer savings, deposits of \$65 million to \$95 million. There are still thousands of individuals who are not able to access their funds, including some of my constituents. The question is, could you provide an update on what the Federal Reserve is doing to ensure that customers regain access to their funds, and is there anything that the Federal Reserve is considering to helping prevent situations such as this going forward?

Mr. POWELL. I do not have a lot of specifics for you on that. I am assured that we are still very much doing everything we can to try to get people their money back and to avoid similar occurrences.

Mr. LOUDERMILK. Okay. Well, I said I was going to be brief, and that was a brief answer, so with that, I yield back, Mr. Chair.

Mr. LUCAS. The gentleman yields back. The chair would like to thank Chairman Powell for his testimony today, and without objection, all members will have 5 legislative days to submit additional written questions for the witness to the chair. Questions will be forwarded to the witness for his response, and, Chair Powell, please respond no later than January 29, 2025.

[The information referred to can be found in the appendix.]

Mr. LUCAS. This hearing is adjourned.

Mr. POWELL. Thank you.

[Whereupon, at 1 p.m., the committee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD

Congress of the United States

Washington, DC 20515

March 5, 2024

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

RE: *Comment Letter on Proposed Rule “Debit Card Interchange Fees and Routing” (Board Docket No. R-1818 (RIN 7100-AG67))*

Dear Chair Powell:

We write to share our concerns with proposed changes to Regulation II, which we believe may impact low-balance, overdraft fee-free accounts. We believe the language of the proposed rule could unintentionally undermine recent, significant progress in bringing low- and moderate-income (LMI) consumers into the mainstream banking system.

The Regulation II price cap proposal threatens to undo the important work that banks, credit unions, and community groups have undertaken to expand access to safe and affordable Bank On-certified accounts. Created and administered by the nonprofit [Cities for Financial Empowerment \(CFE\) Fund](#), the [Bank On National Account Standards](#) (Standards) are designed to address the most significant pain points that affect consumers’ ability to open and maintain a basic transaction account, including high minimum balance requirements, high or unexpected fees, and issues with prior accounts. These low or zero-fee accounts must include online bill pay, allow accountholders to receive payments and income securely, and have no overdraft fees – pivotal features for consumers who are beginning or restarting their banking relationship.

In its [recent comment letter](#) to the Federal Reserve Board, the CFE Fund noted that the Standards are designed to balance the needs of consumers as well as the economics of banks offering low-cost accounts: “At the same time the Standards’ designated features, guardrails, and fee limitations are designed to meet . . . critical consumer needs, we also designed them to be economically sustainable for partner financial institutions, if not even somewhat profitable, rather than dependent upon more ephemeral charitable motivations. We note to the Board that interchange fees are a relevant component of that market sustainability.”

Indeed, the economics of accounts are critical in ensuring that they do not become “second chance” accounts that are rarely marketed and carry an unfortunate stigma. We are concerned that the proposed nearly 30% cut in debit interchange rates could upend the economics that enable financial institutions of all sizes to offer Bank On-certified accounts in a sustainable manner, thereby limiting consumers’ ability to access affordable banking products.

Over the past several years, as a result of an intense and coordinated effort among industry and other coalition partners, the number of Bank On-certified accounts has exploded, from around 40 accounts in late 2019 to nearly 450 today, with dozens more in the approval queue. Banks of all sizes and across branches in all 50 states offer consumers access to safe, affordable accounts – with Bank On accounts accessible to 95.5% of LMI households as of 2022. Notably, in its most recent [National Survey of Unbanked and Underbanked Households](#), the FDIC reported that the rate of unbanked households dropped to 4.5%, the lowest level since the survey began – with approximately 5 million households entering the banking system between 2019 and 2021 alone.

Banks and credit unions offering Bank On-certified accounts, in partnership with trusted community-based organizations and local governments, provide consumers with an essential onramp to mainstream financial markets.

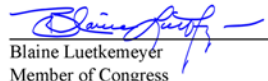
These accounts have a demonstrated track record of reaching unbanked and underbanked communities – and are the starting point for the ongoing work of true financial inclusion and aid in a wider mission of closing the racial wealth gap.

We recognize that consumer access to affordable and inclusive banking and payment options is a priority for the Federal Reserve and that the intention of this regulation is not to hinder Americans' access to tools that enhance the Federal Reserve's financial inclusion efforts. We appreciate the Federal Reserve's extension of the comment period and would urge you to ensure that the final rule does not unintentionally impact LMI consumers negatively.

Sincerely,



Nikema Williams
Member of Congress



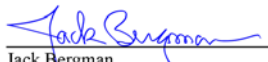
Blaine Luetkemeyer
Member of Congress



Bill Posey
Member of Congress



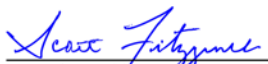
Byron Donalds
Member of Congress



Jack Bergman
Member of Congress



Pete Sessions
Member of Congress



Scott Fitzgerald
Member of Congress



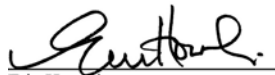
Wiley Nickel
Member of Congress



Dan Meuser
Member of Congress



Emanuel Cleaver, II
Member of Congress



Erin Houchin
Member of Congress



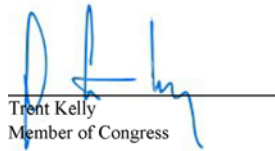
Laurel M. Lee
Member of Congress



Michael Guest
Member of Congress



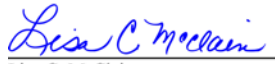
William R. Timmons, IV
Member of Congress



Trent Kelly
Member of Congress



Bennie G. Thompson
Member of Congress

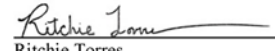


Lisa C. McClain
Member of Congress



Bill Huizenga
Member of Congress


 Mark Alford
 Member of Congress


 Ritchie Torres
 Member of Congress

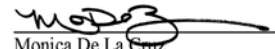

 Andy Barr
 Member of Congress


 Mike Ezell
 Member of Congress


 Henry C. "Hank" Johnson, Jr.
 Member of Congress


 Roger Williams
 Member of Congress


 Jared Moskowitz
 Member of Congress


 Monica De La Cruz
 Member of Congress


 Young Kim
 Member of Congress


 Andrew Ogles
 Member of Congress



Alex X. Mooney
Member of Congress



Ruben Gallego
Member of Congress



Zach Nunn
Member of Congress



David Kustoff
Member of Congress



Jimmy Panetta
Member of Congress



French Hill
Member of Congress



Mike Collins
Member of Congress



Michael V. Lawler
Member of Congress



Mike Flood
Member of Congress



Earl L. "Buddy" Carter
Member of Congress

cc: Fed Board Members



Urban League of
Greater Atlanta

*Empowering Communities.
Changing Lives.*

June 24, 2025

The Honorable Nikema Williams
1406 Longworth House Office Building
Washington, DC 20515

Dear Congresswoman Williams:

The Urban League of Greater Atlanta urges you to continue your efforts to oppose proposed changes to Regulation II, which we believe may impact low-balance, overdraft fee-free accounts. As you are well aware, the language of the proposed rule could unintentionally undermine recent, significant progress in bringing low- and moderate-income (LMI) consumers into the mainstream banking system. It could bring about unintended consequences that would reverse the progress Bank On and its community partners have made in providing financial stability to people with lower incomes who have no relationships with reputable banks.

Bank On – led by Cities for Financial Empowerment Fund (CFE) – has shown great progress in giving “unbanked” people and families access to reliable resources and relationships with financial professionals. Bank On believes the Sanders-Hawley Bill would be detrimental and result in closing the door in the faces of lower-income men and women who likely would not qualify for credit cards at such a low rate. We find Bank On’s opposition to the bill to be extremely well researched and valid.

We urge you to share these concerns with your colleagues and encourage them to listen to the facts from Bank On and its coalition of partners including local governments, financial institutions, and community organizations who work directly with the populations served by Bank On. Your colleagues might also find it useful to hear from previously unbanked people who have been helped by programs like Bank On.

One of those people is Fulton County Commissioner Mo Ivory, who spoke at a community event you held this year. She shared her story about navigating a financially perilous journey before her days in public service. She detailed how community-based banking relationships were able to provide the opportunities that led her to a life of contribution and public service today.

Boasting low monthly costs, almost no ancillary fees, and personalized services, Bank On has been a huge boon to those looking to expedite their economic mobility. Since its inception, Bank On has opened nearly 17 million accounts, and [85% of these accounts](#) serve individuals new to the financial mainstream. That means over 14 million people who previously were not part of any bank or financial institution have been accepted into the financial system.

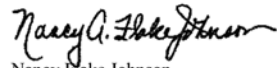
Smaller banks and local credit unions, such as those supported by Bank On, largely depend on revenue incurred through interchange fees to fund operations and keep costs manageable for their constituents. Facing a reduced source of revenue, banks will be forced to offset these losses by increasing costs elsewhere.

Bank On and the community-based relationships it champions enable struggling individuals to purchase a home, start a business, or support their family — key tenants of the American dream. In order to improve financial equity and uplift members across our own communities, we must protect Bank On.

The Honorable Nikema Williams
Page 2
June 24, 2025

Thank you for all that you do to help communities stabilize and build generational wealth. If you need any more information from us, please feel free to contact me at njohnson@ulgatl.org or John Moye, at jmoye@ulgatl.org.

Sincerely,

A handwritten signature in black ink that reads "Nancy A. Flake Johnson". The signature is fluid and cursive, with the first name "Nancy" and last name "Johnson" being more prominent than the middle initial "A.".

Nancy Flake Johnson
President and CEO



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Chairman Hill:

Enclosed is my response to the question you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Chairman French Hill:

1. As you are aware, since the beginning of the COVID pandemic, the supply of bank reserves and U.S. treasuries has grown significantly. Bank reserves have doubled, from \$1.7 trillion pre-pandemic to approximately \$3.4 trillion today, with banks absorbing this increased supply. Likewise, the Federal debt held by the public has risen from \$17.2 trillion before the pandemic to \$28.9 trillion today, requiring primary dealers – many of whom are the largest banks – to absorb this additional supply. However, unlike other jurisdictions, the Federal Reserve Board does not factor in this expansion of the U.S. banking system when calculating the globally systemically important bank (G-SIB) surcharge. As a result, U.S. GSIBs have seen their surcharges rise by nearly half a percentage point since 2019. Chairman Powell, do you believe it is appropriate for the Federal Reserve Board to incorporate the growth of the banking system into the G-SIB surcharge calculations, to avoid overly punitive capital requirements?

The Federal Reserve Board's (Board) rules should support an effective and efficient regulatory framework that promotes the safety and soundness of the financial system and supports a strong American economy, while imposing no more burden than is necessary. On July 22, 2025, the Board hosted a conference to discuss the key pillars of the regulatory capital framework, including the capital surcharge for the largest banks. I look forward to continuing to work with Vice Chair Bowman, who leads the Board's work on supervision and regulation matters.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Dan Meuser
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed is my response to the question you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Powell". The signature is written in a cursive style with a large, stylized "J" and "P".

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Dan Meuser:

Chairman Powell:

The Durbin Amendment provides that the “Board shall prescribe regulations . . . to establish standards for assessing whether the amount of any interchange transaction fee . . . is reasonable and proportional to the cost incurred by the issuer with respect to the transaction.” The Board’s statutory mandate to “establish standards” does not require the Board to set a price cap. One concern is that the establishment of a price cap hinders competition. Another concern is that the Reg II price control rule doesn’t allow issuers to recover their costs. The Board acknowledges that a significant percentage of covered issuers (approximately 23 percent) do not fully recover even the limited universe of costs currently included in the calculation of the price cap. The 2023 Proposed Rule establishes a price cap that would allow less than 66 percent of covered issuers to recover their costs. Courts have repeatedly held that price-control regulations that fail to allow a reasonable rate of return are unconstitutional.

- 1. Are you concerned that the Fed’s proposed Reg II rule may violate your constitutional authority?**

The Federal Reserve Board believes that Regulation II is consistent with both the Durbin Amendment and the United States Constitution.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Scott Fitzgerald
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed are my responses to questions 1 and 3 through 5 that you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record. A response to your remaining question will be forthcoming.

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

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Powell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Questions for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Scott Fitzgerald:

1. From my understanding, the Fed shares only limited details of its stress test process. Banks and the public might see broad metrics like unemployment or inflation rates, but the models and assumptions behind those numbers remain hidden. That lack of transparency makes it impossible to judge the tests' rigor, yet these tests drive binding capital requirements that restrict banks' ability to lend. In December, the Fed said that, due to the "evolving legal landscape," it will begin taking public comment on its stress test models and scenarios and average results over two years to reduce volatility. In April, it proposed a rule on the two-year averaging but kicked the issue of transparency down the road until late 2025. Why is the Fed waiting until the end of 2025 to allow public comment on its models and scenarios, and can you give us a firm timeline?

For more than 15 years, stress testing has been a key component of our regulatory framework and supervisory program. In view of the evolving legal landscape, last December we committed to increasing the transparency of our stress testing framework and reducing the volatility of stress capital buffer requirements. In keeping with that commitment, on October 24, 2025, the Federal Reserve Board (Board) disclosed and sought public comment on the models that determine the hypothetical losses in revenue of banks under stress and on the hypothetical scenarios used annually for the test, including on the scenario for 2026. As the proposals are implemented, we will continue to make sure that stress testing remains an effective test of the resiliency of large banks. I look forward to reviewing the comments we receive on the proposals.

- Under Basel III Endgame, we are already hearing concerns that the Fundamental Review of the Trading Book may duplicate the stress test's Global Market Shock, and that there's overlap between the GMS and existing capital requirements on foreign exposures. Do you acknowledge this overlap as a real issue? Will the Fed address it in these upcoming proposals, or separately?

Our rules should support an effective and efficient regulatory framework that promotes the safety and soundness of the financial system and supports a strong American economy, while imposing no more burden than is necessary. On July 22, the Board hosted a conference to discuss the key pillars of the regulatory capital framework, including minimum capital requirements and the stress testing regime. I look forward to continuing to work with Vice Chair Bowman who leads the Board's work on supervision and regulation matters.

- What legal changes prompted the Fed to seek public comment on stress testing now, and why wasn't public input part of the process back in 2010 when Dodd-Frank created these tests?

Please see my response above.

3. Chairman Powell, the Federal Reserve's newly proposed changes to the stress testing framework appear to reduce the excessive volatility of the Stress Capital Buffer ("SCB") requirement without addressing its root causes. One key cause of the excessive

volatility is the GMS and largest counterparty default (“LCD”) component which centered around large banks’ capital markets-related activities. Given that the risk-weighted capital component of the U.S. capital framework already serves to assess vulnerabilities in those same areas, can you clarify how the proposed changes to the SCB calculation avoids the unnecessary redundancy with the GMS/LCD and whether this may lead to duplicative capital charges and constraints on capital markets liquidity?

Please see my response to question 1.

4. Chair Powell, as you are aware, Section 904(a)(2) of the EFTA specifically requires that the Fed consider the impact of the Reg II rule on “small financial institutions” and “low-income consumers.” It has been almost two years since the Fed released it’s Reg II proposal, can you share the Fed’s analysis of the proposal’s impact on these groups?

• Additionally, in the letter, the Committee also expressed its concern that the Fed did not adequately consider fraud costs in its rate cap calculation. Considering fraud is an ever-evolving threat, can you share the Fed’s rationale for crafting a proposed rule that would clearly disincentivize investment by ensuring that banks would be unable to recover their costs aimed at protecting the financial system from bad actors?

With respect to small financial institutions, the Board’s economic analysis concludes that the proposal would not directly or indirectly affect small issuers (defined as those with less than \$10 billion in consolidated assets) given that they are exempt from the interchange fee cap by statute. The analysis also noted that following the introduction of the original interchange fee cap in 2011, all debit card networks adopted pricing structures with different interchange fees for covered versus exempt issuers. In addition, average per-transaction interchange fees for exempt transactions (51 cents across all networks in 2023) have remained at a level substantially higher than average per-transaction interchange fees for covered transactions (23 cents across all networks in 2023).

With respect to consumers, including low-income consumers, the Board’s economic analysis concludes that the net effect of the proposal on consumers would primarily depend on the extent to which merchants pass on to consumers any savings associated with the decrease in the cost of accepting debit card transactions, and the extent to which issuers increase fees on debit cards or checking accounts or make other adjustments that make these products less attractive or accessible to consumers. It is difficult to predict the magnitude of these effects ahead of time.

Turning to your question on the costs associated with debit card fraud, the Durbin Amendment directed the Board to establish standards for assessing whether the amount of any interchange fee is reasonable and proportional to the cost incurred by the issuer with respect to the transaction. In establishing these standards, the statute directs the Board to consider certain costs (incremental authorization, clearance, and settlement costs) incurred by issuers, but not certain other costs. We interpreted these instructions as permitting it to include, in its determination of

the interchange fee standards, any costs incurred by issuers in effecting debit card transactions (in addition to the required costs).

Consistent with this interpretation, when it determined the original interchange fee standards in 2011, the Board included certain fraud-related costs incurred by issuers. Specifically, we included transaction-monitoring costs in the base component of the interchange fee cap and based the *ad valorem* component of the cap on the share of debit card fraud losses borne by issuers. The Board's October 2023 proposal would not modify the costs that are included in the interchange fee standards but rather would update the value of these components to reflect more recent data.

The Durbin Amendment permits the Board to adopt an adjustment to the interchange fee standards for fraud-prevention costs for issuers that comply with fraud-related standards established by the Board. The Board adopted a fraud-prevention adjustment and established fraud-related standards in 2011–2012. As noted above, the Board's October 2023 proposal would retain the fraud-prevention adjustment and would update its value to reflect more recent data; this data confirms that the fraud-prevention costs incurred by the median issuer have increased, and the proposal would accordingly increase the value of the fraud-prevention adjustment. As the Board noted in 2012 and again in the October 2023 proposal, issuers have a strong incentive to protect cardholders and reduce fraud independently of interchange fees.

The Board received numerous public comments on the proposal. We take all commenter feedback seriously. We have not made any decisions about the timing or substance of any further action on the proposal.

5. **Chair Powell, in 2023, the Fed issued a notice of proposed rulemaking on Reg II. Based on a public analysis of the comment file, 80% of commentors oppose the proposed rule. I would like to submit a copy of the ABA's December 2024 analysis for the hearing record. According to this analysis, those opposing the rule include a wide range of American society (i.e. academics, consumer advocates, community-based organizations, government officials, individuals, industry experts, and financial institutions). Opponents raise a number of substantive questions about its methodology, negative impact to efforts combatting fraud, consumer harm, impact on community based financial institutions, etc. Given the overwhelmingly negative response that the Fed has received from the public, are there any plans to withdraw this rule?**

The Board has received the American Bankers Association analysis of the public comments. We take all commenter feedback seriously, including this analysis. We have not made any decisions about the timing or substance of any further action on the proposal.



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

JEROME H. POWELL
CHAIR

December 16, 2025

The Honorable Scott Fitzgerald
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed is my response to question 2 that you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record. This concludes my responses to your questions.²

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

² Responses to questions 1 and 3 through 5 were sent to your office and the Committee on December 2, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Scott Fitzgerald:

2. Are you concerned about stability in the markets for Treasury securities that may stem from the Fed's plans to continue reducing the size of its balance sheet?

The Federal Open Market Committee (FOMC) continues to carefully monitor a range of indicators in assessing reserve and money market conditions, as well as conditions in the Treasury market.

In recent months, signs have emerged that the level of reserves has been moving toward a range consistent with ample conditions, and we announced the cessation of balance sheet runoff. In money markets, repo rates have moved up relative to our administered rates, and we have seen more notable pressures on selected dates along with greater use by dealers of standing repo operations. In addition, the effective federal funds rate has moved up and now stands close to the rate of interest on reserve balances.

These developments are what we expected to see as reserve conditions moved into the range of ample, and so we are following through on the steps outlined in our plans for policy normalization.¹ Accordingly, at our December meeting, the FOMC decided to initiate purchases of shorter-term Treasury securities (mainly Treasury bills) for the sole purpose of maintaining an ample supply of reserves over time. Such increases in our securities holdings ensure that the federal funds rate remains within its target range and are necessary because the growth of the economy leads to rising demand over time for our liabilities, including currency and reserves. These reserve management purchases have no implications for the stance of monetary policy.

¹ See the "Plans for Reducing the Size of the Federal Reserve's Balance Sheet," available at <https://www.federalreserve.gov/newsevents/pressreleases/monetary2020504b.htm>.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Monica De La Cruz
House of Representatives
Washington, D.C. 20515

Dear Congresswoman:

Enclosed is my response to the question you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Monica De La Cruz:

1. My bill, HR 3390 – Bringing the Discount Window into the 21st Century Act would require the Fed to review discount window operations and implement improvements.

In a hearing before the Senate Banking Committee earlier this year you said, “We are looking at – so there are sort of impediments to the efficiency of the discount window, and those are things we can work on and we’re working hard on. There’s also the question of stigma, though, that banks are reluctant to use it because of the so-called stigma of using it, and that is a very hard problem to solve. We’re also working on that one.”

Additionally, you previously have stated, “There’s a lot of work to do on the discount window,” ... “It needs to be brought up technologically into the modern age, we need to eliminate the stigma problem, and we need to make sure banks are actually able to use it when they need to use it. That’s a broad work program that we’re on right now. It’s important.”

- My question is, what do you believe are core improvements that can be made to address discount window efficiency, accessibility and stigma?

The discount window is an important tool that supports the liquidity and stability of the banking system. By providing ready access to funding against a wide range of collateral, it supports the smooth flow of credit to households and businesses. Providing liquidity in this way is one of the original purposes of the Federal Reserve System and other central banks around the world. The Federal Reserve System, both the Federal Reserve Board (Board) and the Reserve Banks, is engaged in multiple efforts to continue to increase the effectiveness and improve the operational mechanics of the discount window.

To complement these efforts and inform further improvements, in 2024, the Board collected feedback from the public on the operational practices of the discount window. Our modernization efforts were already underway and address many of the issues noted by commentors, such as automation, standardization of Reserve Bank practices, and coordination between Reserve Banks and Federal Home Loan Banks. Collectively, these efforts aim to improve the efficiency and accessibility of the discount window.

We have taken steps to reduce stigma associated with using the discount window within the limits of the Federal Reserve Act, which requires the Board to publish a weekly statement showing the condition of each Reserve Bank and a consolidated statement for all Reserve Banks; and borrower-level data on discount window use on an eight-quarter lag. For example, in March 2020, we updated how the Reserve Bank-level weekly disclosures are aggregated in a manner designed to reduce stigma.¹

¹ These disclosures are known as the Board’s H.4.1 releases.



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

JEROME H. POWELL
CHAIR

December 22, 2025

The Honorable Lisa McClain
House of Representatives
Washington, D.C. 20515

Dear Congresswoman:

Enclosed is my response to the question you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Powell". The signature is written in a cursive style with a large, stylized "J" and "P".

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Lisa McClain:

1. According to Federal Reserve data, the Fed has already spent roughly \$545 million to develop the FedNow real-time payment system. In 2024 alone, the Federal Reserve spent an additional \$245 million, and I understand the Fed is planning to spend another \$245 million this year. That brings the total to over \$1 billion in taxpayer money spent. Now, under the Monetary Control Act, the Federal Reserve is required to charge fees sufficient to recover, quote, “all direct and indirect costs actually incurred” for payment services over the long run—including for FedNow.

When do you anticipate that the fees generated from FedNow will fully repay that \$1 billion investment, as well as its ongoing operating costs?

In keeping with the requirements of the Monetary Control Act (MCA) and longstanding principles for the pricing of Federal Reserve services, the Federal Reserve Board (Board) fully expects any new service to achieve full recovery of costs over the long run. In reaching this conclusion for the FedNow[®] Service (FedNow), the Board considered the MCA’s cost recovery requirement alongside its requirement that the Federal Reserve “give due regard to competitive factors and the provision of an adequate level of such services nationwide.”¹ History has shown that it invariably takes time for new payment services to become established and recover costs. For example, the Federal Reserve’s Automatic Clearing House payment service was started in the 1970s and it was not until the mid-1980s that it became an important part of the U.S. payment system. FedNow was established in 2023.

The Board’s analysis for reaching this conclusion is explored in more detail in the Federal Register Notice, published on August 9, 2019.²

¹ 12 U.S.C. 248a.

² See <https://www.federalregister.gov/documents/2019/08/09/2019-17027/federal-reserve-actions-to-support-interbank-settlement-of-faster-payments>.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Sylvia Garcia
House of Representatives
Washington, D.C. 20515

Dear Congresswoman:

Enclosed are my responses to the questions you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Powell". The signature is written in a cursive style with a large, stylized "J" and "P".

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Questions for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Sylvia Garcia:

1. It's hurricane season in Texas right now. The National Oceanic and Atmospheric Administration (NOAA) has already predicted an above-average season this year. Meanwhile, the Trump Administration has made significant cuts to the Federal Emergency Management Agency (FEMA).

The agency is heading into the above-average season, having lost a quarter of its full-time staff and with plans to be completely quote "phased out" after the season. We both know that cuts and delays to disaster relief put financial strain on state and municipal budgets, homeowners, and taxpayers.

Cuts to federal disaster mitigation and recovery do not reduce costs, but instead pass costs along to others—such as homeowners and municipal governments—who are less able to bear them. This additional financial burden has the potential to increase household debt and drive up mortgage delinquencies, particularly in disaster areas.

Chair Powell, do you have concerns about the impact of FEMA cuts on homeowners, lenders, or financial stability?

It is the responsibility of Congress and the Administration to determine appropriate fiscal policy.

2. The rising insurance premiums are making it harder for hard-working Americans to pay their rents and mortgages or to put food on the table for their families. This will also impact the availability of mortgages, especially in climate-vulnerable areas. Before the Senate Banking Committee in February, you testified that as a result of escalating climate disasters, quote "If you fast forward 10 or 15 years, there will be regions of the country where you can't get a mortgage, there won't be ATMs, banks won't have branches and things like that."

You went on to say, "It's not that banks will stay there and keep making loans in the face of evidence of disasters or that insurance companies will write policies...the risk is that they just won't be there and people won't be able to get them."

In the scenario that you described, where insurance and other financial services become unavailable in climate-vulnerable areas, what are the impacts on homeowners, municipalities, and local economies? Do you feel homeowners and local governments are well suited to bear these impacts?

We continue to monitor trends in the availability and affordability of insurance closely and to assess their implications for the safety and soundness of the financial institutions we regulate, as well as the broader economy. We meet frequently with external stakeholders to better understand insurance market dynamics and to hear their perspectives on the causes of these trends and their implications. For example, the Federal Reserve Board has participated in discussions at the Financial Stability Oversight Council regarding ongoing concerns relating to

availability and increased costs of property insurance and potential effects on the housing market and broader financial system. We are not climate policymakers and decisions about how to address climate change are for elected officials.

Insurance plays an important role in transferring risk to the financial sector participants best positioned to manage and hold it. While the Federal Reserve does not regulate the way insurance is provided or the types of insurance provided, a significant erosion in the availability and affordability of insurance could have adverse effects on the broader economy. Gaps in insurance protection can have consequences for homeowners, businesses, and state and local governments, as well as for the value of their assets.

- 3. The impacts of climate change will have far-reaching effects on the U.S. economy and the ability of the Federal Reserve to meet its monetary policy mandate of stable prices and maximum employment. I have seen firsthand how disastrous a storm can be in my district.**

Infrastructure damage, disrupted transportation routes, and labor dislocations will all drive up inflation across numerous sectors of the economy. Climate disasters and the chronic impacts of climate change, such as extreme heat, are already suppressing productivity.

In addition, the Institute and Faculty of Actuaries and Exeter University estimate that the global economy could face a loss in GDP of at least 50 percent between 2070 and 2090 if nothing is done to curb emissions.

Chair Powell, considering all this, what steps is the Federal Reserve taking to understand the impacts of climate change on the U.S. economy?

My colleagues and I at the Federal Reserve are committed to promoting the resilience of supervised institutions. This includes making sure that banks understand and can manage all of the material risks they face. The Federal Reserve is not a climate policymaker and does not prohibit or discourage financial institutions from providing services to law-abiding customers of any specific class or type, as permitted by statute or regulation.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Brad Sherman
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed is my response to question 1 that you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record. Responses to your remaining questions will be forthcoming.

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Brad Sherman:

1. Unfair Foreign Taxes – H.R. 1 (Section 899)

Section 899 of the House-passed *One Big Beautiful Bill Act* (H.R. 1, engrossed on May 22, 2025) proposes enforcement of remedies against certain taxes deemed to be unfair foreign taxes like a digital services tax. Section 899 would impose a tax on those residents of about two dozen foreign countries should they invest in the United States including in our Treasuries. The United States is trying to attract capital *from* abroad, but Section 899 will *push* out capital abroad. It doesn't affect China. It just affects two dozen of our friends, particularly in Europe. *Chairman Powell*, how would the tax proposed in Section 899 affect the United States' ability to attract foreign investment, the health of United States financial markets, and the economy writ large?

It is the responsibility of Congress and the Administration to determine appropriate fiscal policy.



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

JEROME H. POWELL
CHAIR

December 16, 2025

The Honorable Brad Sherman
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed are my responses to questions 2 through 4 that you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record. This concludes my responses to your questions.²

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

² A response to question 1 was sent to your office and the Committee on December 2, 2025.

Questions for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Brad Sherman:

2. Tariffs and Inflation

As I noted during the hearing, I would like to hear your response as a question for the record regarding tariffs and the effect that that has not only on the inflation rate but also on target interest rates. And at your press conference, you said increases in tariffs this year are likely to push up prices and weigh on economic activity. And I'd certainly like to know more about that. *Chairman Powell*, can you quantify and elaborate what effect the proposed Trump tariffs have on inflation and the interest rate target?

Data so far indicate that higher tariffs are pushing up prices in some categories of goods, resulting in higher overall inflation. Meanwhile, disinflation for services continues, including for housing. Near-term measures of inflation expectations have moved up, on balance, over the course of this year on news about tariffs. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2 percent inflation goal. Economic forecasters, including the Federal Reserve, broadly expect that the effects of tariffs on inflation will further show through in coming months, but that inflation will start to come down again next year once the higher tariffs have passed through into prices and their effect on inflation wanes. The ultimate size and persistence of tariff effects remain uncertain.

A reasonable base case is that the effects on inflation will be relatively short lived—a one-time shift in the price level. But it is also possible that the inflationary effects could instead be more persistent, and that is a risk to be assessed and managed. Our obligation is to ensure that a one-time increase in the price level does not become an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum employment and price-stability mandates, keeping in mind that, without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans.

3. Uncertainty in Tariffs and Target Rate

As you noted in your press conference, estimates of the effects of tariffs on inflation are speculative. *Chairman Powell*, what is the upper bound estimate on tariff-induced inflation that would cause the Fed to increase interest rates? At what point does the Fed say that tariffs are projected to have too great an impact on inflation and you will be forced to increase interest rates?

Please see my response to question 2 regarding the effects of tariffs we have seen so far. The Federal Open Market Committee (FOMC) adjusts the target range for the federal funds rate to achieve its mandates of maximum employment and price stability. These adjustments depend on the totality of data on the economy and their implications for the outlook and the balance of risks. There is not a simple, mechanical link between tariff-induced inflation and the FOMC's policy stance.

4. Interest on Reserves

One proposal to reduce the federal deficit is to eliminate interest the Federal Reserve pays for banks' reserves held at the Fed – thereby increasing remittances paid to the Treasury. I would like to hear your analysis of the consequences of this proposal for monetary policy and the banking system. *Chairman Powell*, how would removing interest on excess reserves impact the Fed's unwinding of its balance sheet and its management of monetary policy? In a scenario where the Fed increases reserve requirements above 0%, what would be the economic repercussions if banks were forced to use a large part of their balance sheets to make interest-free loans to the government? Would eliminating interest paid on reserves effectively eliminate the option for the Fed to use the reserves requirement as a tool to manage monetary policy?

The authority to pay interest on reserves is critical for the Federal Reserve control of our policy rate and for the achievement of our dual-mandate goals of maximum employment and price stability. In recognition of this, Congress gave us the authority to pay interest on reserves starting in 2008. Since then, paying interest on reserves has served the economy well, both when we raised rates and when we lowered them.

Eliminating this authority would be extraordinarily disruptive to the financial system and the economy. If the Federal Reserve no longer paid interest on reserve balances, demand for reserves would plummet, and the Federal Reserve's policy rate—the federal funds rate—would also plunge. Control of our policy rate would be lost. This would mean that monetary policy would no longer be appropriately calibrated to economic conditions and would push the economy away from the Federal Reserve's dual mandate goals.

To restore rate control, we would face a highly challenging situation. The Federal Reserve would shrink its balance sheet rapidly to return to a scarce reserves regime. To go back to a scarce reserves regime rapidly, sales of securities over a short period of time would be needed to shrink the balance sheet and hence the quantity of reserves in the system. The volume and speed of these sales would strain Treasury market functioning and could compromise financial stability. Market participants would need to absorb the sales of Treasury securities and agency mortgage-backed securities, which would put upward pressure on the entire yield curve, raising borrowing costs for the Treasury and the private sector.

Even if the Federal Reserve successfully reduced its balance sheet and regained control of rates under a scarce reserves regime, eliminating interest on reserves would make the banking system less resilient. Banks would hold significantly lower levels of reserves, the most liquid asset in the banking system, and would therefore be more vulnerable to runs and other shocks. This would severely affect banks' ability to provide credit to households and businesses, leading to a less prosperous and more volatile economy.

An unwinding of interest-on-reserves arrangements would not save the taxpayer any money. The Federal Reserve earns interest on its holdings of securities, which are primarily Treasury securities. These securities holdings back reserve balances. While the Federal Reserve

pays interest on reserves, it also receives interest income from the Treasury securities backing the reserves. Over time, that interest income from securities more than exceeds the interest paid on reserve balances. In addition, if a bank were to hold Treasury securities directly instead of reserves as part of its portfolio of liquid assets, the bank would still earn interest paid by the government—both Treasury securities and reserves are government liabilities—and there would be no net effect on interest earned or paid by the government.

If bank reserve requirements were increased above zero percent, and no interest was paid on reserves, there could be similar disruptions to the case when the Federal Reserve stopped paying interest on reserves without a change in reserve requirements. With an increase in reserve requirements, banks would adjust their balance sheets to minimize the requirement, and demand for reserves would decline. Again, this would still not save the government any money for the reasons discussed above.



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

JEROME H. POWELL
CHAIR

December 2, 2025

The Honorable Nikema Williams
House of Representatives
Washington, D.C. 20515

Dear Congresswoman:

Enclosed is my response to the question you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Question for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Nikema Williams:

1. Chair Powell, my colleagues and I have written to you and raised our concerns in previous hearings about the potential harmful impacts that the Federal Reserve's proposed Reg II rulemaking would have on low- and moderate-income consumers. Specifically, I've discussed how the Fed's rulemaking would impact the availability of low- or zero-fee accounts, which are critical to the recent success of bringing consumers into the banking system.

In April of this year, the Urban League of Greater Atlanta convened an event with a goal of expanding access to safe and affordable banking accounts for people in my community. At this event, concerns were voiced by community-based groups about the impact of this rule. My constituent, Nancy Flake Johnson, the President and CEO of the Urban League of Greater Atlanta, recently wrote to me following up on these very concerns, urging me to continue fighting on this issue.

Chair Powell, since a representative from the Fed was not present in Atlanta for the event, maybe you can respond. Do you share the concerns of my constituents and me that the Fed's proposed Reg II rule would undermine recent, significant progress bringing low- and moderate-income Americans into the mainstream banking systems? How are you working to address these concerns in the proposal?

We are aware of concerns regarding the potential economic impact of the interchange fee cap proposal, including the potential impact on low- and moderate-income consumers and the availability of low- or zero-fee checking accounts.

The *Federal Register* notice included the statutorily-required analysis of the economic impact of the proposal on various parties, including low-income consumers. The Federal Reserve Board's (Board) analysis of economic impact was based on the predictions of economic theory, information regarding debit card industry structure and practices, issues raised during the original Regulation II rulemaking, and the experience of debit card industry participants since the current interchange fee cap was adopted in 2011.

With respect to consumers, including low-income consumers, the Board's economic analysis concludes that the net effect of the proposal on consumers would primarily depend on the extent to which merchants pass on to consumers any savings associated with the decrease in the cost of accepting debit card transactions, and the extent to which issuers increase fees on debit cards or checking accounts or make other adjustments that make these products less attractive or accessible to consumers. It is difficult to predict the magnitude of these effects ahead of time.

The Board received numerous public comments on the potential economic impact of the proposal. The Board takes all commenter feedback seriously. The Board has not made any decisions about the timing or substance of any further action on the proposal.



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

JEROME H. POWELL
CHAIR

December 16, 2025

The Honorable Cleo Fields
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Enclosed are my responses to the questions you submitted following the June 24, 2025,¹ hearing before the Committee on Financial Services. A copy also has been forwarded to the Committee for inclusion in the hearing record.

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

Sincerely,

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

Enclosure

¹ Questions for the record related to this hearing were received on July 24, 2025.

Questions for The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, from Representative Cleo Fields:

- 1. Chair Powell, the Trump Administration has taken unprecedented steps to undermine Federal Reserve independence, including requiring your rulemakings and budgets to be reviewed by the White House Office of Management and Budget - despite an exception supposedly being made for monetary policy. Given that experts warn the lines between monetary policy and other Fed functions aren't clear, with some staff handling both functions, how has this White House interference affected the Fed's ability to conduct independent monetary policy? What specific concerns do you have about political pressure influencing decisions that should be based solely on economic data, and how do you maintain independence when the administration controls your budget and rulemaking process?**

With respect to bank regulation and supervision, Congress has wisely chosen to provide the federal bank regulators a significant degree of independence, for instance through self-funding, and this enables the agencies to carry out their supervision and regulation responsibilities with the long-term interests of the public in mind.

The Federal Reserve's monetary policy independence is an important and broadly supported institutional arrangement that has served the American public well.

We have been assigned two goals by Congress, maximum employment and stable prices. We remain committed to supporting maximum employment, bringing inflation sustainably to our 2 percent goal, and keeping longer-term inflation expectations well anchored. Our policy decisions will continue to be based on the evolving data and its implications for the outlook and the balance of risks. Our success in delivering on these goals matters to all Americans. We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission.

- 2. The President has publicly demanded interest rate cuts, claimed he "knows more about interest rates than the Fed," and threatened to fire you when the FOMC didn't reduce rates to his liking - though he backed off after markets reacted poorly. You've also implemented a 10% staff reduction and eliminated telework following administration pressure. How do these public attacks, threats, and forced operational changes impact the Federal Reserve's credibility in financial markets? What message does this send to our international partners about the stability of American monetary policy when a president can dictate staffing and workplace policies at what's supposed to be an independent central bank?**

As noted above, the Federal Reserve's monetary policy independence is an important and broadly supported institutional arrangement that has served the American public well.

As has been our practice across many administrations, we are aligning with executive orders, where appropriate and consistent with law. I believe it is healthy for any organization to

periodically take a fresh look at its staffing and resources, which the Federal Reserve has done from time to time.