Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2021

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2021.

BUILDING A FAIR ECONOMY FOR ALL AMERICANS

In the first year of the 116th Congress, the Committee put consumers and investors first, fought for hardworking Americans and protected American families, particularly those that are most vulnerable. The Committee advanced policies to increase shared prosperity, protect against fraud and abuse, ensure fair rules of the road, promote diversity and inclusion, and support those most in need. Consistent with these priorities, Congress must advance a budget that promotes the economic well-being of all Americans. Accordingly, in the FY 2021 budget, Congress must provide robust funding for federal government agencies that administer critical programs and provide key protections for American families across the country.

President Trump continues to push a regressive agenda that harms lower- and middle-income Americans, and leaves the most vulnerable behind. For example, Republican tax cuts passed last Congress added $1.9 trillion to the national debt in order to give an unneeded handout to the ultrarich and massive corporations, including $32 billion for megabanks the last two years, leaving future generations of hardworking Americans to foot the bill. In addition, President Trump has initiated a reckless trade war that harms consumers, farmers, manufacturers, small businesses, and the economy. The Federal Reserve Bank of Chicago, for example, recently reported a 20-year high in the percentage of farm loans that customers are having 'major' or 'severe' problems repaying. Meanwhile, CBO estimates that the trade war will reduce GDP by 0.5 percent in 2020 and reduce average real household income by nearly $1,300.

President Trump's appointees have also continued their efforts to dismantle important protections for consumers, investors, and the economy, by rolling back many of the critical reforms Congress enacted following the financial crisis in 2008 to prevent a future crisis. Trump's appointees to the Consumer Financial Protection Bureau, the watchdog agency established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), have made it their mission to destroy the agency from the inside. Under the leadership of Trump's appointees, the Consumer Bureau has let bad actors escape accountability, willfully ignored the agency's mission, declined to use its enforcement tools, and reopened the door to predatory and abusive products and practices. Trump's appointees to the prudential regulatory agencies have also followed this deregulatory blueprint, and have made efforts not only to weaken reforms put in place after the crisis, but also to weaken the implementation of the Community Reinvestment Act (CRA), a law passed in the civil rights era to prevent redlining by banks.

The Committee opposes the harmful agenda of the Trump Administration because it threatens hardworking Americans and vulnerable families, for whom the Committee will continue to unwaveringly stand up. The Committee urges Congress to support the following programs and policies to ensure all Americans have opportunities to share in economic growth and progress, to promote diversity and inclusion, and to protect those who are vulnerable.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) plays a critical role in our nation's housing market and social safety net with a mission to "create strong, sustainable, inclusive communities and quality affordable homes for all." HUD programs help lift families out of poverty and homelessness, expand homeownership to underserved borrowers, bolster the economy, and ensure equal access to housing opportunities. The past three fiscal year budget requests, however, have been woefully inadequate to meet the needs of the nation's affordable housing crisis and the homelessness crisis. That is, in part, why the Committee will consider H.R. 5187, "The Housing is Infrastructure Act of 2019" that would provide over $100 billion in new funding for HUD programs to sustain and create affordable homes. The FY 2021 budget should robustly fund HUD housing and community development programs to ensure that every family has access to safe, decent, and affordable housing. The Committee will also explore proposals to strengthen HUD's ability to effectively carry out its mission and to ensure accountability when administrative decisions undermine this mission.

Homeless Assistance Programs

According to the most recent HUD data, over 560,000 people experience homelessness in this country on a given night, nearly 30 percent of whom are children or youth. The Committee fully supports the goal of ending homelessness and believes that the FY 2021 budget should reflect this priority. HUD's homeless assistance grants play a key role in serving those who are experiencing homelessness in America. The Committee recognizes the critical role of the U.S. Interagency Council on Homelessness (USICH) in coordinating across federal agencies and programs to implement an effective federal strategy to end homelessness. The Committee supports robust funding for HUD's homeless assistance grants and USICH, and has passed H.R. 1856, the "Ending Homelessness Act of 2019" to provide over $13 billion in new funding to ensure that every person experiencing homelessness in America has a place to call home. The House has also passed several Committee bills to further address homelessness including, H.R. 4302, the "Homeless Assistance Act", H.R. 4029, "Tribal Access to Homeless Assistance Act", and H.R. 2398, the "Veteran HOUSE Act". The Committee will also consider proposals to expand and better target funding for families and individuals, including veterans, who are experiencing homelessness and who are at risk of experiencing homelessness.

Rental Assistance Programs

HUD's rental assistance programs are responsible for providing stable housing for over 10 million individuals in nearly 5 million homes across the country. Without this important federal assistance, millions of current and future households would be severely rent-burdened or homeless. According to the Center on Budget and Policy Priorities, federal rental assistance has kept 4.1 million people, including 1.4 million children, out of poverty. In particular, public housing is home to nearly one million families, with nearly sixty percent of families headed by a person who is elderly, disabled, or both, and more than forty percent of families in public housing having school-aged children at home. The Committee recognizes the importance of these programs and supports robust funding to preserve and expand the supply of affordable housing supported by these programs. The

Committee also rejects proposals that increase burdens on HUD-assisted families by imposing arbitrary time limits on their tenancy or unduly increasing rents.

<u>The Federal Housing Administration</u>

The Federal Housing Administration (FHA) continues to play a vital role in promoting long-term stability in the housing market and expanding access to homeownership for creditworthy borrowers, especially first-time homebuyers, low- and moderate-income households, and minority households. Despite the strong financial health of FHA, certain budgetary restrictions have prevented FHA from investing in much needed technology upgrades to its systems supporting origination, servicing, default, and claims. The Committee supports continued funding through appropriations to ensure that the FHA can make the necessary upgrades to its systems.

The Committee is concerned that FHA-HFA multifamily risk-share loans no longer have access to financing through the FHA's partnership with the Federal Financing Bank after the Trump Administration discontinued this partnership. The Committee will examine whether to take steps to renew this partnership.

The Committee is also concerned that FHA continues to maintain arbitrarily high premium levels that unnecessarily block access to homeownership despite substantial improvement in the financial health of the Mutual Mortgage Insurance Fund, particularly in the last few years. The Committee is also concerned with FHA's current practice of charging annual mortgage insurance premiums for the life of FHA loans while private mortgage insurers cancel the requirement for mortgage insurance once the outstanding principal balance falls to 78 percent of the original home value. The House passed H.R. 3141, the "FHA Loan Affordability Act of 2019," which would require borrowers to pay premiums only when their loan exceeds 78 percent of the home's value. The Committee is also concerned that potential actions by HUD and FHA in its down payment assistance programs could have severe consequences for low- to moderate-income and minority Americans.

The FY2021 budget should also increase funding for Housing Counseling Assistance, which helps to expand homeownership by educating prospective homebuyers and helps prevent foreclosures by providing mitigation services. Housing counseling helps keep families in homes, protects the FHA Mutual Mortgage Insurance Fund, and stabilizes communities. In order to incentivize more borrowers to obtain housing counseling, the House passed H.R. 2162, the "Housing Financial Literacy Act of 2019," which would lower insurance premiums for FHA borrowers who choose to receive housing counseling.

<u>Government National Mortgage Association</u>

The Government National Mortgage Association (Ginnie Mae) plays a critical role in providing liquidity for government backed mortgages, including FHA, VA, and USDA-backed mortgages. Since the 2008 financial crisis, Ginnie Mae's issuer base has substantially shifted to include a much larger share of nonbanks, which present a new set of risks for Ginnie Mae to manage. Ginnie Mae continues to rely overwhelmingly on contractors to carry out its responsibilities due to insufficient appropriations to support staffing levels and limitations on the use of fee revenue. Ginnie Mae also continues to struggle to retain qualified staff due in part to salary caps that are much lower than similar government entities. The Committee will continue to monitor Ginnie Mae's responses to ongoing staffing challenges as well as emerging risks.

Housing and Community Development Programs

HUD programs that support housing and community development, such as the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships program (HOME), and the National Housing Trust Fund (HTF), play key roles in addressing the inadequate supply of affordable housing, particularly for the lowest income families. They have also proven to be effective in leveraging private investment and supporting local economies. For example, CDBG yields more than $4 in private funding for every $1 of CDBG funding invested and has created or retained over 420,000 economic development related jobs between FY 2015 and FY 2018, benefiting over 47 million low- and moderate-income people through affordable housing and public services. The HOME program has also supported nearly 1.7 million jobs and generated $115 billion in local income since its inception, while investing $29.1 billion to help build over 1.3 million units of affordable housing since 1992. The Committee supports robust funding in the FY 2021 budget to carry out these programs fully and will consider legislation to increase funding levels for these programs.

Fair Housing

HUD plays a central role in fighting discrimination in housing and promoting fair housing practices, primarily through its implementation and enforcement of the Fair Housing Act. The Committee supports increased funding levels for HUD's fair housing programs as well as its Office of Fair Housing and Equal Opportunity in order to promote robust enforcement of the Fair Housing Act. Under the current Administration, HUD has taken steps to dismantle key fair housing protections, including proposing new regulations on Affirmatively Furthering Fair Housing and the disparate impact standard that fundamentally undermine key provisions of the Fair Housing Act. The Committee will continue to take steps to ensure that HUD is adequately enforcing the Fair Housing Act, including through the consideration of legislation like H.R. 149, the "Housing Fairness Act of 2019."

Native American Housing

The Committee supports the fundamental recognition of tribal self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) as well as robust funding for the NAHASDA programs. The Committee will consider legislation to reauthorize and strengthen NAHASDA programs.

USDA'S RURAL HOUSING PROGRAMS

The United States Department of Agriculture's (USDA's) Rural Housing Service (RHS) plays a distinct and critical role in the Federal government's housing assistance strategy, and in the housing market overall. RHS programs help address unique housing challenges that rural residents and communities face, including the prevalence of substandard housing conditions, the challenges of farm workers remaining stably housed despite the seasonal nature of their work, and the lack of access to affordable mortgage credit in some rural areas. Unfortunately, due to the lack of funding and lack of a strategy from USDA, hundreds of thousands of multifamily units are projected to exit USDA programs that keep the units affordable for low-income residents in the coming decades. Further, housing advocates have sued USDA alleging misuse of limited funding available to address the preservation of units or displacement of tenants. To ensure robust funding for RHS to address these challenges in the rural housing stock, the Committee passed H.R. 3620, "The Strategy and Investment in Rural Housing Preservation Act of 2019," which authorized $1 billion to preserve RHS-subsidized properties and prevent resident displacement.

USDA's single-family housing programs also provide unique mortgage products to help low- and moderate-income rural households gain access to homeownership. The Committee will consider proposals to ensure that loss mitigation requirements under these programs are serving borrowers effectively. The Committee also supports increased funding for the Section 502 Direct Loan program, which serves low income households.

GOVERNMENT SPONSORED ENTERPRISES

The Committee believes that a robust mortgage market is required for a healthy, growing middle class and broad economic growth. The secondary mortgage market plays a significant role in ensuring the health of the financial system, and efforts to reform that market should: maintain affordable, long-term fixed-rate mortgage products such as the 30-year pre-payable fixed rate mortgage; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity to the market, and prevent disruptions during a transition to a new finance system; support a broad-based strategy for promoting access to affordable housing, including affordable rental housing; and, ensure that financial institutions of all sizes can equally participate in the market.

The Committee has several concerns with the Administration's plan for housing finance reform, including the potential for severely restricting access to credit, especially for communities of color, and significant market disruption. The Committee will continue to monitor the Federal Housing Finance Agency's actions permitting Fannie Mae and Freddie Mac to retain capital and its role as conservator of the enterprises.

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP), which provides flood insurance to over five million homeowners, renters, and businesses, is set to expire on September 30, 2020. The last long-term authorization of the NFIP expired on September 30, 2017. Ever since, Congress has been passing short-term extensions without a comprehensive plan to provide certainty to the market, keep flood insurance affordable, or deal with the lack of stable funding for mapping or mitigation. The Committee believes that the NFIP must be reauthorized for the long term with a plan to keep coverage affordable and available, to adapt to a changing climate, and to keep our communities resilient in the face of increasing flood risks. That is why the Committee unanimously passed H.R. 3167, the "National Flood Insurance Program Reauthorization Act".

Further, although Congress recently forgave $16 billion of the NFIP's debt, the remaining $20.5 billion in debt has been ignored and continues to burden policyholders with approximately $400 million in interest payments every year. Meanwhile, nearly 65 percent of NFIP premiums and fees are spent on losses and debt reduction, including interest payments. The Committee believes that these costs contribute to affordability challenges for policyholders and will examine steps to address this issue.

SECURITIES AND EXCHANGE COMMISSION

The Committee supports robust funding for the FY 2021 budget of the Securities and Exchange Commission (SEC) so that it is able to fulfil fully its three-part mission to: (1) protect investors; (2) maintain fair, orderly, and efficient markets; and (3) facilitate capital formation. Pursuant to that mission, the SEC oversees $140 trillion a year in securities trading and more than 28,000 market participants that employ over one million people in the United States. These market participants include investment advisers, mutual funds, broker-dealers, national securities exchanges, credit rating agencies, clearing agencies, and self-regulatory organizations. The SEC also reviews the disclosures and financial statements of over 7,600 reporting companies with an approximate aggregate market capitalization of $34 trillion.

The Committee urges the SEC to prioritize its enforcement and examinations activities, and to complete the remaining Dodd-Frank Act rulemakings. The SEC is responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate disclosure violations to fraudulent sales of complex financial products. The Committee will continue to demand that the SEC strengthen its enforcement efforts, including against illegal initial coin offerings and virtual currency investment scams, and against traders that engage in abusive and manipulative practices at the expense of retail investors.

The Committee is concerned that recent legal developments have harmed the SEC's ability to bring cases against bad actors and to recoup funds for harmed investors, particularly those affected by long-running investment frauds such as Ponzi schemes. In order to protect investors, the Committee passed H.R. 4344, the Investor Protection and Capital Markets Fairness Act, which would provide the SEC with appropriate authority to bring enforcement actions against those who violate the securities laws. The Committee will continue to examine the effect of these developments on the ability of the SEC to protect investors.

In addition, the SEC must vigorously police the markets through regular compliance checks, including annual examinations of registered investment advisers, who have increased steadily in numbers over the past decade. In FY 2019, the SEC staff examined only 15 percent of registered investment advisers.

The SEC must also complete its rulemaking obligations under the Dodd-Frank Act, including establishing a comprehensive regulatory regime for security-based swaps, enhanced investor disclosures, and executive compensation rules for public companies and SEC-regulated entities. The Committee urges the SEC to finalize these long-overdue rules.

The Committee also encourages the SEC to ensure that public companies disclose environmental, social, and governance (ESG) information, such as exposure to risks related to climate change and cybersecurity threats, because such information is material to investors. Recognizing the importance of these issues, the Committee has moved swiftly to pass H.R. 3623, the "Climate Risk Exposure Act of 2019", H.R. 4329, the "ESG Disclosure Simplification Act of 2019", and H.R.

1731, the "Cybersecurity Disclosure Act of 2019" to ensure that investors and the market have access to this critical information. Additionally, because the SEC has failed to do so, the Committee is working to pass bills to require public companies to disclose their risks and practices related to human capital management, political spending, and country-by-country tax reporting.

The Committee urges the Commission to place paramount importance on shareholders' ability to engage with the companies they invest in. This includes safeguarding the principle of "one-share, one-vote," and shareholders' ability to submit proposals. Unfortunately, the SEC's proposed rules from November 2019 would collectively weaken shareholders' rights and deprive them of independent information about changes to companies. The Committee urges the SEC to rethink these problematic proposals.

Troublingly, the Trump Administration has consistently proposed the elimination of the SEC's Reserve Fund, which provides the SEC with up to $50 million annually to support long term information technology (IT) initiatives and respond to unforeseen events, like the 2016 breach of its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system for public company filings. Eliminating the Reserve Fund would force the SEC to choose between funding its cybersecurity efforts or syphoning resources from other underfunded programs, such as investment adviser examinations. It would also hamstring the SEC's ability to keep pace with ever-evolving threats to our financial infrastructure.

The Budget also proposes to eliminate the Public Company Accounting Oversight Board (PCAOB), which is a self-regulatory organization created in the wake of the Enron scandal to oversee the audits of public companies. Instead, the duties of the PCAOB would be conducted by the SEC, which would only receive $55 million more in FY 2021 to conduct all of its normal operations. By contrast, the PCAOB's 2020 budget was $284.7 million. Recklessly eliminating the PCAOB and its staff with expertise in overseeing the audit industry is a serious threat to investors and market integrity.

FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN)

To fully support U.S. efforts to detect and deter illicit finance, the Committee supports robust funding in the FY 2021 budget for Treasury's Financial Crimes Enforcement Network (FinCEN). FinCEN implements and enforces the Bank Secrecy Act (BSA), which is the nation's primary anti-money laundering and counter-terrorism financing (AML/CTF) law. In furtherance of this work, the House passed H.R. 2514, the "COUNTER Act". The Committee urges FinCEN to provide regulated entities, including those located in U.S. territories, with guidance and feedback on illicit financing risks posed by a constantly changing threat environment, including trafficking, lone-actor terrorism, and vulnerabilities from emerging technologies such as virtual assets.

The Committee remains concerned by the legal obstacles to collecting, maintaining, and analyzing information on the beneficial owners of companies formed in this country, who may expose the U.S. financial system to significant risk. To remedy this issue, the House passed H.R. 2513, the "Corporate Transparency Act". The Committee also urges FinCEN to take steps, including the provision of clear guidance that ensures legitimate actors remain able to access the financial system, and thereby reverse a trend among depository institutions to “de-risk” or end account services for whole categories of customers.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND AND THE CAPITAL MAGNET FUND

The Committee supports robust funding of the CDFI Fund to fully carry out its programs in FY 2021 and rejects the Administration’s efforts to eliminate funding for the CDFI Fund’s discretionary grant and direct loan programs.

The CDFI Fund has had a growing impact across the country by giving private institutions access to the capital needed to extend credit and provide financial services to communities, especially those in lower-income and traditionally underserved areas. For example, the Bank Enterprise Award (BEA) program incentivizes banks to make investments in the most severely distressed communities throughout the country, by providing monetary awards to banks that have increased investments in census tracts where the unemployment rate is 150% higher than the national rate and where approximately one-third of residents’ incomes are less than the poverty level. According to data released by the Department of Treasury, a total of $25.2 million was awarded to 113 organizations under the FY 2019 round of the BEA program. As a result, these organizations provided $429 million of qualified community development activities in FY 2019, producing a significant return on investment.

The Committee also supports funding Section 1206 of the Dodd-Frank Act, which directs the CDFI Fund to make grants to certified institutions, including nonprofits, banks, and credit unions, for loan loss reserve funds in order to defray the costs of establishing small dollar loan programs. Section 1206 was enacted to increase consumer access to mainstream financial institutions and to provide more affordable and safe alternatives to high-cost payday loans.

The Committee also supports the CDFI Capital Magnet Fund (CMF), which is funded by allocations from Fannie Mae and Freddie Mac and administered by the CDFI Fund. This program awards grants to finance affordable housing and community revitalization efforts that benefit low-income people and communities nationwide.

SUPPORTING SMALL BUSINESS INVESTMENTS

The Committee supports reauthorizing and funding the successful State Small Business Credit Initiative (SSBCI), which Congress created as part of the Small Business Jobs Act of 2010. The program expired in 2016, but in the five years it operated new financing to small businesses totaled $10.7 billion with only $1.2 billion of federal funding. According to Treasury, the program helped create or save more than 240,000 jobs. In addition to authorizing a second round of funding for the program, the Committee will consider ways to target SSBCI-supported loans or investments to businesses in low- and moderate-income communities.

Small businesses are our nation’s innovators and job creators. Congress has a responsibility to review, reform, and modernize our laws and regulations to allow American small businesses to compete and win both domestically and globally. The Committee will advance legislation to ensure small business capital formation rules promote entrepreneurship, business expansion, innovation, and investment in our nation's small businesses.

CONSUMER FINANCIAL PROTECTION BUREAU

The Committee strongly supports the mission, structure, and independent funding of the Consumer Financial Protection Bureau (Consumer Bureau), which was created under the Dodd-Frank Act, to better protect consumers from unfair, deceptive or abusive acts or practices, and to promote fair and transparent markets for the provision of consumer financial products and services.

Since opening its doors in 2011, the Consumer Bureau has investigated and uncovered egregious and illegal conduct in the financial marketplace, including discriminatory and predatory products and services offered to consumers. The agency has received over 2 million consumer complaints with a 97 percent timely response rate by financial firms to those complaints. The Consumer Bureau has returned more than $13 billion to over 35 million consumers that were harmed by bad actors. This includes at least $130 million in relief through enforcement actions for servicemembers, veterans, and their families harmed by illegal practices.

Despite these successes, the Committee continues to be concerned by the actions taken after the Trump Administration's appointees took over the leadership of the Consumer Bureau in November 2017. For example, enforcement activity against bad actors sharply decreased, fair lending efforts were diminished, and student lending concerns were suppressed, with the Consumer Bureau refusing to conduct any new exams regarding the servicing of federal student loans in FY 2018 and 2019. Instead of turning a blind eye, the Consumer Bureau should do its job and protect student borrowers. Furthermore, consumer protections must be strengthened for student borrowers. According to the Federal Reserve, Americans collectively have over $1.6 trillion in student loan debt. That's more than all other forms of consumer debt, except for mortgage debt. More than 44 million people carry student debt averaging almost $33,000. The burden of student loan debt is preventing young people from saving for retirement, starting small businesses, starting families, and becoming homeowners. The student debt crisis is affecting millions of people across the country, and ultimately it negatively affects our entire economy. The Committee has advanced several bills to address this crisis and protect student borrowers.

The Committee rejects the Trump Administration's repeated efforts to gut the Consumer Bureau, including by proposing that Congress eliminate its independent funding or that Congress cap the funding levels of the Consumer Bureau. Moreover, the Committee is committed to preserving the independence of the Consumer Bureau, including by defending its constitutionality before the Supreme Court even when the agency under Trump will not stand up for itself.

There are several areas where consumer protections need to be strengthened. For example, our consumer credit reporting system is broken, and consumers have little recourse when there are errors in their files. In 2018, the Consumer Bureau received 126,300 consumer complaints on credit reporting, which was more than one-third of all complaints submitted. The Consumer Bureau received more complaints about credit reporting than any other issue. For this reason, Congress passed H.R. 3621, the "Comprehensive Credit Reporting Enhancement, Disclosure, Innovation, and Transparency Act of 2020" ("Comprehensive CREDIT Act") to empower and protect consumers with respect to credit reporting.

In addition, the Consumer Bureau has issued a debt collection rule that would allow debt collectors to engage in abusive debt collection practices with few limitations. Predatory debt collection practices continue to inflict harm on a wide range of consumers and small business owners, including servicemembers and taxicab drivers. The Committee has advanced several pieces of legislation providing stronger debt collection protections for all consumers.

Furthermore, the Consumer Bureau has continued its misguided policy to not supervise financial institutions for compliance with the Military Lending Act. The Consumer Bureau has also proposed to significantly weaken the payday lending rule, including by rescinding its ability-to-repay provision, thereby increasing consumers' risk of predatory lending practices. Additionally, the Committee strongly rejects the Consumer Bureau's decision to willingly tie its own hands by creating new conditions before the agency will impose penalties against entities that engage in abusive conduct.

Given the Consumer Bureau's statutory mission as the single agency dedicated to protecting American consumers from unlawful and predatory lending practices, the Committee remains vigilant in its commitment to preserve and implement robust safeguards for consumers, as well as ensuring the Consumer Bureau fulfills its mission. The Committee will also seek to protect the Consumer Bureau's independent funding to ensure not only that consumers are protected, but to also reduce the risk to taxpayers from another financial crisis. Responding to the reckless and persistent efforts to undermine the Consumer Bureau, the House passed H.R. 1500, the "Consumers First Act" to ensure the Consumer Bureau fulfills its statutory purpose to protect consumers in the financial marketplace.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

In the years leading up to the financial crisis, the American regulatory and supervisory framework did not keep up with the risks posed to our country's financial stability caused by the increasing size, complexity, interconnectedness, and globalization of large financial institutions. The Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) were established under Title I of the Dodd-Frank Act to close these regulatory gaps and serve as an early warning system for emerging threats to financial stability.

The Committee believes the FSOC's functions and its supervisory tools are vital to safeguarding the U.S. financial system. Along with promoting market discipline and responding to emerging threats, the FSOC, consisting of the federal financial regulatory agencies, is tasked with identifying elevated risks to the economy due to risky business practices at both bank and nonbank institutions. The Committee also supports the OFR, which was created to provide insights into the shadow banking system and support the work of the FSOC. The OFR's data collection ensures that regulators' assessments of systemic threats, and decisions about any steps to mitigate them, reflect the deepest body of research and analysis of the financial sector possible.

The Committee remains concerned by the Trump Administration's efforts to undermine financial stability efforts, including by shrinking the OFR and FSOC budget and staffing levels. The Committee supports the preservation of both the FSOC and OFR's independence from the annual Congressional appropriations process and notes that their budgets are offset by a fee imposed on systemically important financial institutions (SIFIs), and do not affect the U.S. deficit.

ENHANCED PRUDENTIAL STANDARDS TO PREVENT FUTURE BAILOUTS

The financial crisis demonstrated that several large, interconnected financial institutions could pose an existential threat to the American financial system. These institutions' size, complexity, interconnectedness, and global scale forced the Federal government to expend enormous resources to prevent their failures in order to avoid an international economic collapse.

The Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. For example, the law requires that the largest banks and systemically important financial firms be subject to more stringent rules for capital, leverage, liquidity, and risk management. It also subjects these firms to regular, forward-looking stress testing requirements to ensure these large firms are better prepared for eventual economic downturns or unexpected shocks to the system. In fact, banks in the United States have added more than $750 billion in capital to absorb potential losses and, because of these safeguards, are much less reliant on short-term funding, which disappeared in the crisis. Furthermore, the Volcker Rule prohibits banks from proprietary trading, limiting the practice of allowing banks to gamble with their customers' and the taxpayers' money.

The Committee remains focused on ensuring rigorous oversight of large financial institutions, ensuring they can never again threaten our economy or the taxpayer. Furthermore, the Committee remains vigilant in its efforts to oversee the regulators of these financial institutions and encourage them to maintain and strengthen prudential safeguards that protect the U.S. economy from another costly financial crisis. The Committee also encourages these regulators to utilize their full supervisory and enforcement tool kit to hold megabanks and other institutions, as well as their senior executives and boards of directors accountable when they break the law. For example, Section 956 of the Dodd-Frank Act provides these regulators with the authority to develop rules so that executive compensation does not promote "inappropriate" conduct.

However, financial regulators appointed by President Trump have methodically been advancing a series of deregulatory rollbacks for megabanks. For example, regulators have been undermining the implementation of the Volcker Rule, limiting its effectiveness. Additionally, the Federal Reserve and FDIC issued a final rule which rolled back resolution planning (referred to as "living wills") for megabanks, requiring they fully update their plans once every four years, and once every six years for other large banks. The Federal Reserve finalized a rule to revise the enhanced prudential standards framework in a manner that weakens liquidity requirements for large banks, including foreign banks that operate in the United States. Furthermore, the Federal Reserve modified the stress-testing regime to limit the use of the "qualitative objection," which makes it easier for large banks to pass their tests. The Committee is concerned that these and other deregulatory actions weaken critical safeguards put in place after the financial crisis to protect our nation's economy and would increase the exposure to risk for our taxpayers.

OFFICES OF MINORITY AND WOMEN INCLUSION

Since our nation's founding, the diversity of the American experience has been cited by numerous historians, authors, and economists as one of the country's greatest assets. This principle of "diversity as an asset" was recognized nearly 75 years ago by President Franklin D. Roosevelt who, in an Executive Order banning discrimination in the defense industry, asserted "the firm belief that the democratic way of life within the Nation can be defended successfully only with the help and support of all groups within its borders." While President Roosevelt sought to ban discrimination in the defense industry as a means of bolstering national security, in the decades since, researchers and academics have recognized the value of diversity to promote innovative decision-making and combat the problem of "group-think."

Section 342 of the Dodd-Frank Act established Offices of Minority and Women Inclusion (OMWIs) in most of the federal financial agencies—the Department of the Treasury, Federal Deposit Insurance Corporation (FDIC), each of the Federal Reserve banks, the Federal Reserve Board of Governors, National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission (SEC), and Consumer Financial Protection Bureau (Consumer Bureau)—that are responsible for all matters relating to diversity in management, employment, federal contracting, and business activities. Section 1116 of the Housing and Economic Recovery Act of 2008 created an OMWI with similar authorities at the Federal Housing Finance Agency (FHFA).

The Committee supports robust funding for each OMWI to carry out its programs, including data collection and analyses that would ensure: transparency from the top-down; a diverse talent pipeline for current and future employment opportunities within the agencies; sufficient training to increase cultural awareness and inclusiveness in the agencies; effective supplier diversity initiatives to secure the fair inclusion of minority-owned and women-owned businesses, and transparency of diversity data by its regulated entities. The Committee will consider legislation that would require regulated entities to disclose their diversity policies and practices to the OMWI at their respective regulators.

As the American population becomes increasingly more racially and ethnically diverse, it is vital that the federal financial services agencies attract, hire, develop, and retain a highly qualified and diverse workforce and operate in a manner that promotes an inclusive and non-discriminatory workplace. Senior leadership at the federal financial agencies must also reflect the diversity of America. For this reason, the House passed H.R.281, the "Ensuring Diverse Leadership Act of 2019", to require the consideration of at least one female and one minority candidate in filling every Federal Reserve Bank president vacancy.

Transparency and accountability are crucial to ensuring diversity and inclusion results. The House passed H.R. 5084 the "Improving Corporate Governance Through Diversity Act of 2019", to require public companies to disclose the demographic information of their board directors, nominees, and senior executive officers, and the Committee expects to consider additional legislation that would increase transparency of board leadership throughout the corporate and financial services sector.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) plays an important role in safeguarding the international financial system and promoting financial stability through its principal activities of surveillance, financing, and technical assistance. The IMF also provides loans to countries experiencing financial crises, including debt, currency, and banking crises, and technical assistance to countries to help strengthen their capacity to design and implement effective policies.

Last year, the IMF underwent its 15th General Review of Quotas to assess the adequacy of the IMF's financial resources and review the distribution of voting power in the Fund. Currently, the IMF's shareholdings do not reflect the growing economic clout of some emerging market countries, and this, in turn, has fueled an interest in the creation of alternative institutions within the global financial architecture. In December 2018, the TrumpAdministration announced that it would oppose any changes to existing quotas, halting a decade of progress reforming the governance of the Fund to make it more representative, legitimate, and therefore, more effective.

The Committee believes that this position was shortsighted, as it allows Japan and Europe to maintain their overweight voting power, and would also likely alienate underrepresented, emerging markets countries, causing them to drift away from multilateral institutions and increasingly towards regionalism.

After the United States closed the door on a quota reform package in 2019, preserving the IMF's emergency backstop facility, known as the New Arrangements to Borrow (NAB), took on heightened importance. Through the NAB, 40 member countries have committed to lend additional resources to the IMF in the event of a major financial crisis or to deal with exceptional situations that pose a systemic threat.

Although the Administration forced a decision to close the IMF's 15th quota review without any changes to member quota subscriptions, the Treasury Department did back an agreement to maintain the IMF's overall lending resources by doubling the size of the NAB, while reducing by a similar amount the IMF's bilateral borrowing arrangements, which were due to expire at the end of the year. To implement the terms of the agreement, the Administration's FY 2021 budget proposes to double the current U.S. commitment to the NAB from approximately $39 billion at current exchange rates to approximately $78 billion at current exchange rates, and to extend U.S. participation in the NAB through December 2025.

MULTILATERAL DEVELOPMENT BANKS

The Committee believes that the United States should maintain a strong leadership position at the multilateral development banks (MDBs) as a way to help advance our national security and economic interests, and to ensure our ability to influence policy directions at the MDBs and prioritize global humanitarian initiatives in areas we deem critical, including reducing poverty, consolidating new democracies, and improving governance.

The Administration is requesting congressional authorization for the United States to participate in the replenishments of two concessional windows at the MDBs —the 19th replenishment of the

International Development Association (IDA-19) and the fifteenth replenishment of the African Development Fund (AfDF-15). This Administration pledged $3 billion to IDA-19, which is 8.75 percent below the pledge to the previous IDA replenishment. The Treasury Department also pledged $514 million to the AfDF-15, which is equivalent to the U.S. pledge to the previous replenishment.

The Trump Administration also requests congressional authorization for the United States to participate in the 7th general capital increase for the African Development Bank, to which the United States has pledged approximately $437 million of paid-in capital over an eight-year period. The Treasury Department is also seeking authorization to vote in favor of a general and a selective capital increase for the International Finance Corporation (IFC), the private sector arm of the World Bank, which would triple the IFC's capital base to $8.1 billion. Although the United States. is not contributing to this capital increase, given the size of the U.S. vote at the institution, the agreement cannot move forward until U.S. participation is authorized by Congress.

The Committee will consider these requests along with certain reforms that it believes are critical to these institutions' project quality and improved development outcomes. The Committee will also continue to examine financial transfers between the International Development Association (IDA) and the International Finance Corporation (IFC), and the degree to which the issuance of market-rate bonds by IDA to supplement its resources may affect IDA's ability to offer grants and highly concessional loans to the world's poorest countries as IDA funds are increasingly used to pay interest payments to bondholders.

Over the past three years, in each of its annual budget requests for Treasury's International Programs, the Administration has repeatedly flagged concern about unmet U.S. commitments at the multilateral development banks, which it has warned damage U.S. credibility, undermine U.S. global leadership, and impair our ability to shape the direction of MDB policies and actions. Despite these concerns, the Administration has not requested in any of its budgets any appropriations to begin to pay down U.S. arrears at the MDBs. Moreover, the Committee notes that its budget request will increase unmet U.S. commitments by approximately $267.52 million.

THE COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

The United States balances its embrace of open markets with the protection of its national security interests, which means placing certain limitations on overseas investment involving sensitive assets of the U.S. economy. The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee chaired by the Secretary of the Treasury that to reviews certain transactions involving foreign investment in the United States to determine the effect of such transactions on the national security of the United States and to address identified national security risks. The Foreign Investment Risk Review Modernization Act of 2018 authorizes the establishment of a CFIUS Fund. This account funds investments necessary to the functioning of CFIUS and allows the transfer of a portion of such funds to CFIUS agencies to address emerging needs. The Committee supports the FY 2021 Budget request of $20 million for the CFIUS fund, as well as the Treasury Department's intention to issue regulations that would allow CFIUS to collect fees.

OFFICE OF FOREIGN ASSETS CONTROL

The Committee sees an increasingly important role for the Treasury Department's Office of Foreign Assets Control (OFAC) and its administration of sanctions against over 40 countries, regimes, terrorists, international narcotics traffickers, proliferators of weapons of mass destruction, financers of terrorism, and other threats to the national security of the United States. OFAC also vigorously enforces the sanctions programs it administers and conducts civil enforcement investigations against U.S. and non-U.S. individuals and entities who threaten the integrity of its sanctions programs. OFAC's enforcement actions and activities – including civil monetary penalties, non-public disruptive intervention, and public outreach – illuminate evasion schemes and enlist the private sector in its sanctions efforts. Additionally, OFAC administers a licensing program through which it reviews and then authorizes or denies requests to conduct certain transactions or activities that would otherwise be prohibited. OFAC is continually evaluating and adjusting its sanctions programs to ensure that it is prohibiting illicit activity, while allowing activity that is consistent with or advances U.S. national security and foreign policy. The Committee also recognizes the importance of safeguarding humanitarian assistance to vulnerable populations in targeted sanctioned regimes. The Committee supports the FY 2021 Budget request for increased funding for OFAC.

OFFICE OF TECHNICAL ASSISTANCE

The Department of Treasury's Office of Technical Assistance (OTA) does critically important work by providing technical assistance to strengthen the capacity of finance ministries, central banks, and other government institutions in developing and transitional countries to manage public finances and effectively oversee the financial sector. OTA supports U.S. foreign policy and national security objectives by facilitating in these countries policy and administrative reforms in the areas of budget planning, effective revenue collection, judicious debt management, sound banking systems, and robust financial sector supervision. Also, given that the challenges we face in the fight against terrorism and other illicit financing are often transnational, no nation can protect itself from these threats without cooperation from others. In this area, the work of OTA is again critical to creating effective partners abroad by helping countries build the human and institutional capacity to develop strong controls to combat corruption, financial crimes, and terrorist financing. The Committee strongly supports Treasury's request for $33 million for its Office of Technical Assistance, which represents a $3 million increase over FY 2020.

INSPECTORS GENERAL

The Committee supports robust funding for inspector general offices to conduct oversight of the Trump administration. In 2019, the offices of the inspectors general within the Committee's jurisdiction uncovered and reported numerous instances of waste, fraud, abuse and mismanagement, including vulnerabilities in agency cloud systems; deficiencies in agency supervision of cybersecurity risk management; ineffective information security programs; the misuse of agency funds; unacceptable delays and continuing material deficiencies in processes used to respond to investigators' requests for electronically-stored information; and flaws in infrastructure support service contract management. The offices of inspector general must be adequately funded to ensure their continued success.

CLIMATE CHANGE

Global climate change is occurring more rapidly than at any point in history, primarily because of human activities catalyzing the release of heat-trapping greenhouse gases. The varied impacts of climate change evident in every region of the United States have had an adverse effect on the macroeconomy and will continue to do so in the future if uninterrupted. A changing climate also will create risks and pressures for the U.S. Government to spend more money on many of its programs, including disaster relief and federal insurance payments for property and crops. According to the GAO, "There were 14 separate billion-dollar weather and climate disaster events in the U.S. in 2018—with a total cost of at least $91 billion."

Relatedly, the Federal Reserve Bank of San Francisco found that climate change increases the risk to financial institutions by increasing the potential for loan losses and bankruptcies caused by extreme weather. The Committee urges the Federal Reserve and other regulators to address this growing risk by engaging all of their regulatory authorities, including financial stability tools under the Dodd-Frank Act, such as incorporating climate-related losses into supervisory stress tests of big banks.

Similarly, extreme weather events caused by global climate change are exacerbating our nation's affordable housing crisis, which studies have shown disproportionately affects low-income communities and communities of color. In the face of a rapidly changing climate and an aging housing stock that was not built to withstand such conditions, the Committee acknowledges the need to enhance the resiliency and environmental sustainability of our nation's housing infrastructure, and to build more environmentally just communities. To further these goals, the House passed H.R. 3702, "The Reforming Disaster Recovery Act of 2019," which permanently authorizes and reforms the CDBG-Disaster Recovery program and promotes fair and equitable disaster recovery.

The Committee also fully recognizes that the effects of climate change are creating unprecedented risks to companies and investors and that current securities disclosures fail to fully reflect the contours of these risks. To protect investors and ensure the market is able to adequately and accurately assess the risks posed by global warming, the Committee passed H.R. 3623, the "Climate Risk Disclosure Act", to require public companies to disclose in their annual reports information relating to the financial and business risks associated with climate change.

FINANCIAL TECHNOLOGY, ARTIFICIAL INTELLIGENCE, AND RESPONSIBLE INNOVATION

The Committee supports the advancement of responsible innovation in financial services. Advancements in machine learning, artificial intelligence, cloud computing, payments, and identity are areas where innovations are rapidly altering the financial marketplace. For example, consumers can send money to friends and family and make purchases with their mobile devices, small businesses can receive short-term loans with terms favorable to their business needs, and financial institutions can streamline business operations and provide better consumer experiences. However, as these changes occur, Congress must maintain a strong legal framework where regulators are equipped with the resources, training and tools necessary to ensure that advancements in financial services do not harm consumers, threaten privacy, undermine financial stability, or promote discriminatory practices. Specifically, Congress must ensure that consumer's data and identities are protected, and that sensitive financial information is only shared with active consumer consent. Further, as real-time payments and digital currencies emerge, it is important that the United States remains a global leader in the financial services industry by ensuring our offerings are secure and safe from cyberattacks.