March 1, 2024

DEMOCRATIC VIEWS

The following represent the views of the Democratic Members of the Committee on the Budget for Fiscal Year 2025

ENSURING ECONOMIC OPPORTUNITY AND HOUSING FOR ALL

In the second session of the 118th Congress, the Democrats on the Committee on Financial Services continue to work closely with the Biden Administration to advance policies that put people before politics by providing fair and affordable housing for all; protecting consumers and investors; promoting diversity and inclusion; advancing racial equity; holding megabanks, financial institutions and their executives accountable; promoting financial stability and economic growth; and, enhancing international cooperation to address today's global challenges such as climate change, inequitable financial access, emerging technology risks, and the far-reaching security, economic, and humanitarian impacts of Russia's war on Ukraine. Thanks to investments made by the Biden Administration and Congress through the American Rescue Plan Act (ARPA) and the Inflation Reduction Act, the U.S. has experienced the swiftest and strongest economic recovery in the world. The latest jobs report in February 2024 showed that 14.8 million jobs have been created since Biden took office and unemployment has remained below 4% for two years, the longest stretch in more than half a century. The data also shows that wages are increasing at the highest rate in nearly two years, while inflation has been at the pre-pandemic level of 2% over the last half year. Additionally, through investments made by the Infrastructure Investment and Jobs Act passed in 2022, including in broadband, transportation infrastructure, lead abatement, and electric vehicle charging stations, the Biden Administration has fulfilled important aspects of its American Jobs Plan and has cut pandemic-induced inflation by more than half, resulting in a recovery that far exceeds our global peers. Furthermore, Democratic policies have fueled a small business boom with more than 16 million new business applications filed and nearly 3 million businesses opened between 2021 and 2023. Black business ownership has doubled and Latinx business ownership has risen by 40% since 2019.

Unfortunately, but not surprisingly given the failures of House Republicans to act, housing instability and other inequities and fragilities persist throughout the economy. Committee Democrats continue to believe that robust investments in fair and affordable housing are necessary to tackle the urgent housing affordability and homelessness crisis, as well as to eliminate the remaining drivers of inflation. That is why the Ranking Member has introduced legislation to provide historic new investments in affordable housing.

Committee Democrats have remained vigilant in overseeing regulators' efforts to address macroeconomic and financial stability risks, including climate-related threats and the need to strengthen the safety and soundness of the banking system after Trump-era deregulation resulted in three of the largest bank failures last year. Committee Democrats will also monitor how a changing monetary policy environment and elevated interest rate risk might hamper economic recovery or otherwise affect financial markets. Committee Democrats remain deeply concerned by the lack of any attention to diversity and inclusion issues by the Republican Majority after they eliminated the Subcommittee on Diversity and Inclusion at the start of the Congress. Notably, the word "diversity" doesn't appear anywhere in the document, nor is there any discussion of the Minority Business Development Agency, minority-owned businesses, Minority Depository Institutions or Community Development Financial

Institutions, which primarily serve minority-owned businesses. A budget shows where one's priorities are, and clearly Committee Republicans do not prioritize a fair, diverse, or inclusive nation.

Committee Democrats also believe that the U.S. should continue its support for the people of Ukraine by mobilizing robust multilateral assistance and denying Russian President Putin resources to wage or benefit from his war. The ongoing U.S. response to Ukraine should be targeted, transparent, and coordinated globally, leveraging America's leadership at the international financial institutions, such as the World Bank and the International Monetary Fund (IMF). We will continue to offer legislative measures that provide financial support for Ukraine and increase economic pressure, degrading the Russian economy and Putin's and Putin's strategic options.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) plays a critical role in our nation's housing market, economy, and social safety net with a mission to "create strong, sustainable, inclusive communities and quality affordable homes for all." HUD programs bolster the economy, help lift families out of poverty and homelessness, make the dream of homeownership attainable to millions, and ensure equal access to affordable and accessible housing opportunities for all.

However, HUD's resources continue to fall short of the need for affordable housing. Since FY2019, the federal housing budget has represented less than 1% of all federal spending and less than 2% between FY1985 and FY2018. Moreover, the nationwide shortage of affordable housing has steadily made up nearly 70% of core inflation in the U.S. based on the latest data from the Bureau of Labor Statistics. For too long, we have not addressed the housing supply shortfall, which has driven up costs that have consistently outpaced wages. For example, one study found that over the last two decades, median rent prices increased by 21% while renters' median incomes went up by just 2%. Since May 2020 alone, house prices have skyrocketed by 47%, with more families paying over 30% of their income on rent or mortgage payments than ever before. As millions are forced to sacrifice their next meal, healthcare needs, and other basic essentials to pay for housing, over 653,100 people are now experiencing homelessness on any given night in the U.S.—representing a 12% increase in homelessness between 2022 and 2023. Among those who are experiencing homelessness, there was a whopping 25% increase in the number of people who were forced into homelessness for the first time in their lives between 2022 and 2023.

While House Republicans have proposed to slash the federal housing budget, Committee Democrats continue to press for robust investments in housing. The FY25 housing Budget should reflect the existing need for fair and affordable housing resources through HUD programs, including sufficient funding for HUD staff to address such needs. As such, Committee Democrats support the President's total FY25 HUD budget request. In addition to this funding, Committee Democrats support an infusion of at least $150 billion in new housing investments to address the urgent and growing housing and homelessness crisis, as reflected in H.R. 4233, the "Housing Crisis Response Act," which represents the housing title of President Biden's Build Back Better agenda that passed the House in November 2021. An infusion of new funding, as reflected in H.R. 4233, would help sustain and create nearly 1.4 million affordable homes located in fair and resilient communities, reduce housing costs, help end homelessness, and revive the dream of homeownership for all.

HOMELESS ASSISTANCE PROGRAMS

Committee Democrats believe that the FY25 Budget should reflect that ending homelessness is a national priority and support the President's FY25 budget request for HUD’s homeless assistance grant programs and other programs that support people experiencing or at risk of homelessness. To fully support the goal of ending homelessness, Committee Democrats support funding above the President’s FY25 request to reflect investments included in H.R. 4233, the “Housing Crisis Response Act,” which provides $7.1 billion in Housing Choice Vouchers (HCVs) dedicated to people experiencing or at risk of homelessness, as well as nearly $15 billion to develop new housing that is affordable to people with the lowest incomes, including individuals experiencing homelessness.

Pandemic housing relief helped offset a tsunami of homelessness by stabilizing 12.4 million people who were at risk of eviction or foreclosure as well as serving and rehousing over 2 million individuals experiencing or at risk of homelessness. Notably, homelessness saw a minimal increase of 0.3% between 2020 and 2022 while it had decreased by 9% between 2010 and 2022. Yet, as pandemic-era protections have expired and pandemic housing relief funding continues to dry up at the local level, more families are experiencing the financial strain from continued increases in housing costs, diminishing savings, and growing credit card debt.

Indeed, according to HUD’s 2023 annual point-in-time count, the U.S. saw a 12% year-over-year jump in the number of people experiencing homelessness between 2022 and 2023. On any given night, 653,100 people, who are disproportionately people of color, have no place to sleep other than emergency shelters, streets, and other places unfit for human habitation. In particular, the Committee is concerned with the alarming 25% increase in the number of individuals experiencing homelessness for the first time in their lives, reflecting worsening housing trends and ongoing need for federal intervention.

PUBLIC HOUSING AND RENTAL ASSISTANCE PROGRAMS

To bolster housing stability and the national economy, Committee Democrats support the President's FY25 budget request for public housing and Housing Choice Vouchers. In addition to these funds, Committee Democrats support $65 billion to expand and improve Public Housing, $24 billion for Housing Choice Vouchers and supportive services, as well as $1 billion for the first new project-based rental assistance contracts since 1983, as included in the “Housing Crisis Response Act.” This would represent the largest one-time expansion of the Housing Choice Voucher program since its creation in 1974. Committee Democrats also supports and have previously advanced legislation to eliminate the Faircloth limit, which prohibits the construction of new public housing above a certain cap.

HUD's rental assistance programs are responsible for providing stable housing for over 9 million individuals in over 5 million homes across the country. In fact, rental assistance has been found to reduce homelessness for families by three-fourths and the share of overcrowded living conditions for families by over 50%. 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. Public housing is home to more than 1.6 million families. As of 2020, nearly sixty percent of families were headed by a person who is elderly, disabled, or both, and more than 40 percent of families in public housing had school-aged children at home. Federal rental assistance helped offset an early onset recession during the height of the pandemic by helping assisted families maintain stable, affordable housing. Given the importance of HUD's rental assistance programs, Democrats oppose Republican proposals to cut or defund such programs.

HOMEOWNERSHIP AND THE FEDERAL HOUSING ADMINISTRATION

Committee Democrats support the President's FY25 budget request for the Federal Housing Administration (FHA), which plays 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 households of color. As reflected in the Ranking Member's "Housing Crisis Response Act" and H.R. 4231, the "Downpayment Toward Equity Act," Committee Democrats also support $100 billion for direct financial assistance to help first-time, first-generation homebuyers purchase a home, as well as $100 million for HUD to support small dollar mortgage lending.

FHA receives annual appropriations, but its book of business not only offsets the agency's costs but also helps offset HUD programs writ large. Robust funding for FHA to carry out its mission is crucial during this period of continued economic recovery from the ongoing pandemic-era effects on homeowners, including elevated house prices and mortgage interest rates. In 2020, in response to the COVID-19 pandemic, Congress passed the CARES Act, which provided FHA borrowers and other borrowers with federally-backed mortgages access to forbearance relief and instituted a foreclosure moratorium.

Throughout the pandemic, FHA borrowers have struggled to stay current on their mortgage payments. In response to financial instability, the number of homeowners in forbearance, and elevated rates of mortgage delinquencies during the pandemic, Congress provided $10 billion to the newly established Homeowner Assistance Fund (HAF) through ARPA to help struggling homeowners avoid unnecessary foreclosures and remain stably housed. HAF funding paired with FHA loss mitigation options contributed to rates of seriously delinquent FHA borrowers dropping to pre-pandemic levels by September 2023. However, FHA delinquency rates continued to increase through the third quarter of 2023, signaling instability among some borrowers. Indeed, a growing number of homeowners are paying a greater share of their income on their mortgage payments than ever before, which is exacerbated by skyrocketing home prices, rising property taxes, and elevated mortgage interest rates. FHA needs robust staffing and operations resources to continue to support borrowers with FHA mortgages who may be struggling to afford their monthly mortgage payments.

Committee Democrats also support the Biden Administration's renewal of the FHA's partnership with the Federal Financing Bank to provide the FHA-Housing Finance Agency (HFA) multifamily risk-share program after the Trump administration discontinued it without any explanation. FHA-HFA risk share loans encourage public-private partnerships to bolster the creation of affordable housing. The program also generates revenue that helps offset other parts of HUD's Budget. Committee Democrats have previously advanced legislation to make this partnership permanent.

Committee Democrats are concerned with FHA's current policy of charging annual mortgage insurance premiums for the life of FHA loans while private mortgage insurers cancel the requirement for mortgage insurance on conventional mortgage loans once the outstanding principal balance falls to

78 percent of the original home value. Committee Democrats believe the FHA should only require borrowers to pay premiums when their loan exceeds 78 percent of the home's value and have previously advanced legislation to do this have previously advanced legislation to do this. Analysts have concluded that doing so will increase revenue overall because it will help FHA retain existing policyholders and attract new ones.

The FY25 Budget should also include at least $70 million in funding for the Housing Counseling Assistance Program. Over the years, HUD-approved housing counseling services have helped to expand homeownership by educating prospective homebuyers and prevent foreclosures by providing mitigation services. These services proved particularly helpful during the Great Recession and 2008 foreclosure crisis. Homeowners who received assistance from HUD-approved housing counselors between 2008 and 2018 were three times more likely to receive loan modifications and were less likely to go into foreclosure or re-default on their home loans compared to those who did not access housing counseling services. Expanding on this successful policy, Democrats provided $100 million in funding for housing counseling through ARPA to expand services to not only help homeowners, but also renters and people experiencing or at risk of homelessness navigate their housing options and rights, including pandemic-era protections, and connect families to critical resources like Emergency Rental Assistance, Emergency Housing Vouchers, and Homeowner Assistance Funds provided through pandemic relief legislation. Especially during the current economic climate, housing counseling helps keep families stably housed, protects the FHA Mutual Mortgage Insurance Fund, and stabilizes communities. Additionally, to incentivize more borrowers to obtain housing counseling, the House passed H.R.1395, the “Housing Financial Literacy Act of 2021," in April 2021, which would lower insurance premiums for FHA borrowers who choose to receive housing counseling.

HOUSING DEVELOPMENT PROGRAMS

Committee Democrats support the President's FY25 budget request for the HOME Investment partnerships (HOME) Program, the Section 202 Supportive Housing for the Elderly program, and the Section 811 Supportive Housing for People with Disabilities program, and supports continued funding for the Housing Trust Fund (HTF) through allocations from a share of Fannie Mae and Freddie Mac’s new business income. In 2023, as a result of decreased home sales resulting from high housing costs and mortgage interest rates, the HTF received $382 million, a nearly 50% decrease from a record-level allocation in 2022. Committee Democrats also support an additional $25 billion in HOME funding, $2 billion for energy efficient and climate resilient upgrades to federally assets housing, $1.6 billion to revitalize distressed multi-family properties, and $1 billion total for the Section 202 and Section 811 Programs to create fair and affordable housing opportunities for seniors and people with disabilities included in the “Housing Crisis Response Act.”

The HOME Program and HTF play key roles in addressing the inadequate supply of affordable housing, particularly for the lowest-income families. Given the nation’s growing affordable housing crisis, and as communities continue to recover and stabilize from the COVID-19 pandemic, these programs have become even more essential to helping communities acquire and convert residential and commercial properties into affordable housing.

COMMUNITY DEVELOPMENT

In the FY25 Budget, Committee Democrats support the President's FY25 budget request for the Community Development Block Grant (CDBG) program, which principally serves low- and moderate-income individuals and communities. The Committee also supports an additional $3.05 billion for CDBG, including dedicated funding to invest in colonias and manufactured housing communities, as well as $3 billion for a new Community Restoration and Revitalization Fund that includes robust support to create and expand community land trusts and shared equity homeownership, and $1.75 billion in the Unlocking Possibilities Program, as reflected in the "Housing Crisis Response Act." This funding would help create at least 88,000 homes for eligible households and localities, help communities eliminate exclusionary and restrictive zoning barriers, bolster local planning and inspection capacity to promote the production of housing, and invest in communities experiencing underinvestment and cycles of blight or abandonment. The Committee also supports the "Strengthening Affordable Housing Supply Act," which would expand the use of CDBG funds to support local communities' efforts to construct new affordable housing.

Currently, cities and counties use flexible CDBG funds to meet critical local community development, infrastructure, and affordable housing needs, as well as to expand economic opportunities. CDBG funds can be used for a wide array of community activities, including those that address conditions that pose a serious and immediate threat to the health and safety of residents, as well as to bolster local fair housing and equity planning. To help communities respond to the immediate public health and economic effects of the COVID-19 pandemic, Congress provided $5 billion in CDBG funds through the CARES Act. As communities continue to work to mitigate the economic effects of the COVID-19 pandemic, CDBG funds will serve as an essential and flexible tool to spur economic development and job growth. Indeed, every $1 in CDBG funds invested leverages more than $4 in other funds and has created or retained over 420,000 economic development-related jobs between FY15 and FY18, benefiting over 47 million low- and moderate-income people through affordable housing and public services. Committee Democrats also support expanding eligible uses of CDBG funds to include new construction of affordable housing, which is currently prohibited.

HEALTHY HOUSING

Committee Democrats support the President's FY25 budget request for HUD's Lead Hazard Control and Healthy Homes programs to ensure the U.S. housing stock is safe and decent—free from lead and other hazardous conditions that compromise the health and well-being of families and children. In addition, Committee Democrats support the $5 billion investment included in the "Housing Crisis Response Act" to holistically address lead-based paint and other health hazards in approximately 276,000 homes for low-income families and children.

Childhood exposure to lead, even at very low levels, can have lifelong consequences, including decreased I.Q. and cognitive function, developmental delays, and behavioral problems. Higher exposures to lead at a young age can cause seizures, coma, and even death. Unfortunately, lead exposure often occurs without any obvious symptoms and can go unrecognized until the symptoms become more acute. Additionally, studies have found that the incidence of lead poisoning, asthma, obesity, and deteriorating mental health among disadvantaged communities, and disproportionately among communities of color, are positively correlated with aging housing stock, poor ventilation, water leaks, and other poor physical housing conditions. HUD's Lead Hazard Control and Healthy Homes programs help local communities address lead-based paint and other health hazards in low-income housing through activities to mitigate such hazards, as well as through the development and promotion of effective methods for controlling health hazards.

FAIR HOUSING

To promote robust enforcement of the Fair Housing Act, Committee Democrats support the President's FY25 budget request for HUD's Fair Housing Initiatives Program (FHIP), the Fair Housing Assistance Program (FHAP), as well as increased funding to support an increase in full-time personnel in the Office of Fair Housing and Equal Opportunity. Committee Democrats also support an additional $700 million and $100 million for FHIP and FHAP respectively. This funding will help bolster fair housing enforcement as complaints against housing discrimination continue to grow to historic levels and the majority of the nation's housing stock remains inaccessible to people with disabilities.

HUD and local fair housing organizations play a leading role in fighting discrimination in housing and promoting fair housing practices, primarily through the implementation and enforcement of the Fair Housing Act. Despite the passage of the Fair Housing Act in 1968, HUD and local fair housing organizations continue to receive record levels of fair housing complaints each year, the racial wealth and homeownership gaps continue to widen, and many U.S. neighborhoods are becoming more racially and economically segregated. Recognizing the importance of fair housing and enforcement, the Committee secured $21.5 million in fair housing enforcement funding through the CARES Act and ARPA to respond to increased fair housing complaints during the pandemic and to ensure an equitable distribution of pandemic housing relief funds. Committee Democrats will continue to support funding levels that ensure that HUD and its programs are fully equipped to enforce the Fair Housing Act, other relevant civil rights requirements, and to promote equitable housing opportunities for all.

NATIVE AMERICAN HOUSING

Committee Democrats support the fundamental recognition of tribal self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). Committee Democrats also support the enforcement of the tribal citizenship rights of Black Native American Freedmen and their descendants, whose ancestors were held as enslaved people by five formerly slaveholding tribes—the Cherokee, Choctaw, Chickasaw, Muscogee Creek, and Seminole Nations. Following the end of the Civil War, the U.S. and the five tribes entered into 1866 treaty agreements that are still in effect until today, which ended slavery within the tribes and guaranteed equal tribal citizenship rights, as well as equal access to federal resources, including housing investments. Despite these ongoing treaty obligations, many descendants of Freedmen of the Five Tribes continue to be disenfranchised in direct violation of those treaty obligations, and they continue to fight for their respective recognition as legal citizens of the five tribes. In 2021, after decades of litigation, the Cherokee Nation was legally required to ratify its constitution and restore the citizenship rights of Freedmen descendants, making the Cherokee Nation the first of the five tribes to comply with its 1866 treaty obligations to the descendants of Freedmen. In 2023, the Muscogee Creek Nation's Supreme Court upheld the 1866 treaty obligations to Creek Freedmen1866 treaty obligations to Creek Freedmen.

In addition to the funding provided through pandemic relief legislation, such as ARPA, Committee Democrats support the President's FY25 budget request for NAHASDA programs, as well as the inclusion of language that ensures all tribal members, including descendants of Freedmen of the Five Tribes, have equal access to assistance through such programs. Committee Democrats have previously considered legislation to reauthorize and strengthen NAHASDA programs and will continue to press for the inclusion of the descendants of Native American Freedmen in accordance with existing treaty agreements between the U.S. and the Five Tribes. Finally, Committee Democrats also support an additional $1 billion, as included in the "Housing Crisis Response Act," to support Native housing and community development needs.

USDA'S RURAL HOUSING PROGRAMS

Committee Democrats support the President's FY25 budget request for programs administered by the United States Department of Agriculture's (USDA's) Rural Housing Service (RHS), including the Rural Development Voucher Program (RDVP), the Multifamily Preservation and Revitalization Demonstration, the Section 515 Program, the Section 514 Program, and the Section 516 Program. As housing conditions continue to worsen in rural areas with limited investment and persistent poverty, and as rural America continues to see some of the highest rates of increased homelessness—increasing by 10% between 2022 and 2023—Committee Democrats support additional funding included in the "Housing Crisis Response Act," including $2 billion for the Sections 514, 515, and 516 programs, $100 million for rural rental assistance, and $900 million to assist rural homeowners with home repairs.

RHS plays a distinct and critical role in the federal government's housing assistance strategy and in the housing market overall. Currently, rural America, including communities in the Southern Black Belt, colonias, and the U.S. territories, continues to face high and persistent poverty, chronic underinvestment, and as in the rest of the country, a worsening affordable housing and homelessness crisis. Committee Democrats also support expanding eligibility for RDVP beyond Section 515 residents to also include Section 514 residents in developments that are owned by nonprofit or public entities, and to all residents of 514 and 515 properties when mortgages loans for those properties mature. Additionally, Committee Democrats support eliminating certain incentives for owners of Section 515 and 514 properties to prepay their loans, as well as allowing RHS to annually adjust voucher subsidies to account for changes to household incomes and utility costs. RHS programs help address unique housing challenges that rural communities face, including the prevalence of substandard housing conditions, growing levels of homelessness, the challenges of farmworkers who struggle with substandard living conditions and housing instability due to the seasonal nature of their work, and the lack of access to affordable mortgage credit in some rural areas.

Unfortunately, due to a lack of funding, hundreds of thousands of multifamily units are projected to exit USDA programs that would keep housing affordable for low-income residents in the coming decades. To ensure robust funding for RHS to address these housing challenges in rural communities, Committee Democrats provided $100 million in ARPA for additional rural rental assistance for families struggling to pay rent during the COVID-19 pandemic. USDA's single-family housing programs also offer unique mortgage products to help low- and moderate- income rural households gain access to homeownership. Committee Democrats support increased funding for the Section 502 Direct Loan program, which increases housing affordability for low-income rural homeowners. Committee Democrats secured $39 million in COVID relief through ARPA to help struggling rural homeowners avoid foreclosure and remain stably housed. Committee Democrats also support increased funding for the USDA Section 504 program to assist rural homeowners with repairing their homes.

FEDERAL HOUSING FINANCE AGENCY & GOVERNMENT-SPONSORED ENTERPRISES

The Federal Housing Finance Agency's (FHFA) budget is supported through funds generated by Fannie Mae and Freddie Mac ("the enterprises") and the 11 Federal Home Loan Banks (FHLBs). Committee Democrats support this funding structure, which does not affect the debt or deficit, to retain FHFA's independence as a regulatory agency. However, because the enterprises remain in conservatorship and are supported by the Treasury through Preferred Stock Purchase Agreements (PSPAs), Committee Democrats continue to believe that comprehensive housing finance reform should be left to Congress and not attempted through administrative action. Committee Democrats believe that a robust mortgage market is required to sustain access to fair and affordable credit and broad economic growth. The secondary mortgage market plays a significant role in ensuring the health of the financial system, especially in times of economic downturn as the U.S. experienced during the COVID-19 pandemic. Committee Democrats will continue to oversee FHFA, the enterprises, the FHLBs, and the broader mortgage market to ensure that federal policies are working to 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; support an improved, broad-based strategy for promoting access to affordable housing, including through the financing of affordable rental housing and renter protections; and enable financial institutions of all sizes to equally participate in the market.

In line with the “Housing Crisis Response Act,” Committee Democrats also support strengthening and improving the role of the FHLBs, including by increasing their contributions to the Affordable Housing Programs from 10% to 20% of revenue, which will better realign the FHLBs with their mission to support the development of affordable housing and advance equitable community development.

NATIONAL FLOOD INSURANCE PROGRAM

As reflected in the “Housing Crisis Response Act,” Committee Democrats support forgiving the more than $20.5 billion in debt carried by the National Flood Insurance Program (NFIP), appropriating $600 million to update and modernize flood mapping, and further appropriating at least another $600 million to create a new means-tested affordability program for low- and moderate-income policyholders.

The NFIP provides affordable flood insurance coverage to nearly five million homeowners, renters, and businesses. Over the course of several years, a series of short-term reauthorizations and the possibility of lapses in the program have left the NFIP and its policyholders, who would lose coverage in the event of a lapse in authorization, in a precarious position. Committee Democrats believe 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 more frequent and intense flood risks. That is why the Committee unanimously passed H.R. 3167, the "National Flood Insurance Program Reauthorization Act," in 2019 under Democratic leadership.

Reforms to the NFIP made through long-term reauthorization should be aimed at putting the program on sounder footing, particularly in response to growing climate risks. These reforms should include expanding access and affordability for policyholders, especially in light of preliminary successes in FEMA’s latest Risk Rating methodology (RR 2.0), which is estimated to have led to 85% of policyholders experiencing stable or reduced premiums ,with the greatest cost savings experienced byvery low-income policyholders living in areas at lower risk of flooding.

Further, although Congress forgave $16 billion of the NFIP's debt in 2018, the remaining $20.5 billion in debt continues to burden policyholders with approximately $400 million in interest payments every year. Meanwhile, nearly 65% of NFIP premiums and fees are spent on losses and debt reduction, including interest payments on the debt. These costs exacerbate affordability challenges for policyholders.

In the FY25 Budget, Committee Democrats support full debt forgiveness for the NFIP as well as increased funding for mapping and mitigation to set the NFIP on a stronger trajectory to better support policyholders and communities amidst worsening flooding due to climate change, especially those located in Special Flood Hazard Areas.

SECURITIES AND EXCHANGE COMMISSION

Committee Democrats support robust funding for the SEC's FY25 Budget to help it carry out its three-part mission of protecting investors; maintaining fair, orderly, and efficient markets; and, facilitating capital formation. In fulfilling this mission, the SEC oversees the annual trading of approximately $118 trillion in U.S. equity markets and $237 trillion in the U.S. fixed income markets, as well as more than 29,000 market participants that employ over one million people in the U.S. These market participants include 15,000 investment advisers, 750 investment companies, 3,500 broker-dealers, 24 national securities exchanges, 95 alternative trading systems, 9 credit rating agencies, 7 clearing agencies, and self-regulatory organizations like the Public Company Accounting Oversight Board (PCAOB), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews disclosures and financial statements of approximately 5,250 exchange-listed public companies with an aggregate market capitalization of $51 trillion.

Adequate funding and personnel are necessary to take on these broad and complex responsibilities, particularly as U.S. markets have experienced volatility and increasing complexity in recent years all while SEC staffing has failed to keep pace. SEC's staffing has remained flat for the past 5 years, growing at an annual rate of 0.6%. In fact, under the previous Administration, the SEC's staff shrank by three percent, despite the enormous growth in the capital markets due primarily to the popularity of digital assets and rise of retail investor participation. It is crucial that the SEC be given the funding it needs so that it may adequately tackle challenges facing our capital markets that have been neglected for far too long. This includes funding to hire new personnel, including technologists and economists with expertise in areas like climate change, artificial intelligence, and cybersecurity. Additional funding is also necessary to expand the SEC's Office of Investor Advocate so that all investors, including retail investors, have a voice at the SEC, as well as to expand the Office of Minority and Women Inclusion (OMWI) so that it may play a greater role in the SEC's policymaking process to ensure that women and minorities are sufficiently represented both within the agency and the financial industry at large.

Committee Democrats support the President's FY25 budget request because it will bolster the SEC's important rulemaking agenda, which is moving at a thoughtful and deliberate pace. This includes efforts to: finalize a regulatory framework related to climate change disclosures and other Environmental, Social and Governance (ESG) matters, such as exposure to risks related to human capital management and employee diversity, political spending, cybersecurity threats, foreign tax reporting, and supply chain disruptions; oversee crypto assets now valued at over $2 trillion; ensure shareholders' ability to engage with the companies they invest in, including safeguarding shareholders' fundamental right to submit and resubmit proposals, and protecting the independence of proxy voting advice; provide enhanced transparency in the private funds space; reform deficiencies in equities market structure highlighted by this Committee following the GameStop trading event; and hold accountable those responsible for investor harm during the 2020-2022 growth of special purpose acquisition companies (SPACs), which had supplanted the traditional initial public offering (IPO) and present novel investor, legal and accounting issues.

While the SEC has broad authorities to regulate the offer and sale of securities and to regulate intermediaries, including digital asset securities and trading platforms within the digital assets industry, the agency continues to face stiff resistance from crypto industry participants to register and become compliant with the securities laws and rules that have protected investors for decades. Although the SEC recently added several staff to conduct oversight related to digital assets, robust funding is necessary to bolster the SEC's ability to protect investors and customers from noncompliant digital assets entities. It is also important that the SEC invest in its own technology and regulatory infrastructure, including completion of the Electronic Data Gathering, Analysis, and Retrieval Modernization project and ensuring the Consolidated Audit Trail is fully operational. For these reasons, Democrats support the full allocation to the Reserve Fund created in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and is specifically designed to support multi-year investments in IT projects. Likewise, Democrats reject attempts by Committee Republicans to cancel these funds. Finally, we note that annual appropriations allocated to the Commission does not affect the debt or deficit as all funds are offset by transaction and other fees on market participants.

FINANCIAL CRIMES ENFORCEMENT NETWORK

Treasury's Financial Crimes Enforcement Network (FinCEN) safeguards the financial system by implementing and enforcing the Bank Secrecy Act (BSA), the nation's body of law related to money laundering and the financing of terrorism (AML/CTF). FinCEN is essential to the U.S. effort to detect and deter illicit finance by terrorists, kleptocrats, traffickers, and other criminals, such as the Russian oligarchs who have enabled Vladimir Putin in his ongoing, brutal invasion of Ukraine. Democrats support the President's FY25 budget request for FinCEN, which is expected to allow FinCEN's staff to properly execute its mission of "strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence." This includes regulatory actions, analytic products, data-focused activities, and engagement with public- and private-sector stakeholders.

Adequate funding is also necessary for FinCEN to continue the implementation of beneficial ownership reporting requirements, foreign and domestic liaison programs, the improved AML whistleblower program, and the regulatory, enforcement, compliance, and innovation components of the Corporate Transparency Act (CTA) of 2020 and the Anti-Money Laundering Act (AMLA) of 2020. Full funding will also help FinCEN to continue its enforcement of the BSA and related regulation against financial institutions that are not compliant; just last year, FinCEN announced the largest settlement in U.S. Treasury history against Binance, a digital asset exchange, for failing to register as a Money Service Business and comply with applicable law.

Democrats strongly disagree with the statements in the Majority Budget Views that beneficial ownership information collected through the CTA is equivalent to tax return information and that FinCEN is an "unaccountable office." Democrats further oppose the proposal in the Majority Budget Views to apply artificial, blanket restrictions on improvement and expansion of vital FinCEN authorities and staffing while the rulemakings for CTA and AMLA are being executed. Democrats will also continue to highlight the devastating effects of de-risking and lack of financial access on economies, citizens, and businesses of Caribbean nations and other historically marginalized nations and peoples and seek to advance solutions to tackle this endemic problem.

COMMUNITY FINANCIAL INSTITUTIONS

Committee Democrats support full funding for the Community Development Financial Institutions (CDFI) Fund, which supports diverse and mission-driven community financial institutions. We further recommend setting aside 40% of funds that are provided as grants to CDFIs to support minority lending institutions (MLIs). Democrats also support providing robust funding for the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund (CDRLF), with a 40% set aside for minority depository institutions (MDIs). We also support providing appropriate funding dedicated to the CDFI Program Integration for Individuals with Disabilities, with some of those funds dedicated to technical assistance.

When the COVID-19 pandemic disproportionately impacted low-income communities and communities of color, CDFIs and MDIs were there to help small and minority-owned businesses in their communities. In December 2020, Congress included $12 billion in the FY21 Consolidated Appropriations Act to provide capital investments and grants to support CDFIs and MDIs providing relief to small and minority-owned businesses, including a 40% set aside for minority lending institutions (MLIs). The Department of the Treasury and CDFI Fund successfully deployed these funds to CDFIs and MDIs, and the Department estimates these funds will support a $50 billion increase in lending to Latinx communities and a nearly $80 billion increase in lending to Black communities over the next decade. One of these programs – specifically, the Emergency Capital Investment Program (ECIP) – was oversubscribed by requests for an additional $4.13 billion than what was available, suggesting there is more capacity for additional capital to be successfully deployed.

CAPITAL MAGNET FUND

Committee Democrats support existing funding for the CDFI Capital Magnet Fund (CMF) through allocations from Fannie Mae and Freddie Mac in the FY25 Budget. In addition to this funding, Committee Democrats also support $750 million in appropriated funds, similar to the "Housing Crisis Response Act." The Capital Magnet Fund helps finance affordable rental and homeownership housing, as well as development projects in low-income communities.

SMALL AND MINORITY-OWNED BUSINESSES

Small businesses are the lifeblood of the U.S. economy, creating nearly two-thirds of all private-sector jobs over the past 15 years. As small and minority-owned businesses continue to seek financing to help their businesses grow, Committee Democrats support the ongoing implementation of the State Small Business Credit Initiative (SSBCI), which was reauthorized in 2021 and administered by the U.S. Department of the Treasury. SSBCI is designed to support state, territory, and tribal government efforts to provide low-cost loans to and equity investments in as many as 100,000 small businesses.

Following the 2008 financial crisis, Congress created the SSBCI, which leveraged $1.5 billion in federal funds to support $10.7 billion in small business loans and investments that helped create or retain over 240,000 jobs.

As of September 2023, Treasury approved SSBCI capital program applications for 54 states and territories, as well as 25 Tribal governments. These funds are disbursed in three tranches, and Treasury had disbursed $2.5 billion to jurisdictions, including the first disbursement for 70 jurisdictions, and the second disbursement for three jurisdictions. These jurisdictions have deployed $854 million in SSBCI funds through their SSBCI Capital Programs, representing a 20% increase from the previous quarter. Additionally, the SSBCI program included funds to provide the legal, accounting, and business planning advice small and underserved entrepreneurs need to be successful. As of November 2023, Treasury had approved 34 of 51 applications by states and territories for technical assistance programs, and as of September 2023, the Minority Business Development Agency (MBDA) had announced all recommended awardees.

These and other programs advanced by Congressional Democrats and the Biden Administration have helped create a small business boom of more than 16 million business applications filed and nearly 3 million businesses opened between 2021 and 2023. Black business ownership has doubled and Latinx business ownership has risen by 40% since 2019. We will look to build on this progress by closely monitor the ongoing implementation of SSBCI to ensure funds are promptly deployed, and that every effort is made to incorporate diversity and inclusion principles along the way to ensure that support is maximized to underserved and diverse small businesses. Moreover, Democrats will continue to review ways to bolster capital and credit access, as well as improve important borrower protections, for small businesses.

MINORITY BUSINESS DEVELOPMENT AGENCY

Committee Democrats continue to support the $3.1 billion in funding for the Minority Business Development Agency (MBDA) that was included in the Build Back Better Act because it will expand the capacity of the agency to deliver aid and support to the minority business enterprises (MBEs) that need it. At a minimum, Committee Democrats support the President's budget request for the MBDA so that it can carry out its mandate and serve minority-owned businesses in America, many of which were adversely affected by the pandemic.

The MBDA is the only federal agency tasked with supporting the establishment and growth of minority business enterprises. The MBDA was created by executive order in 1969 and was finally codified in the Infrastructure Investment and Jobs Act in November 2021. The MBDA provides access to capital and connects minority entrepreneurs to private lenders, including banks, mutual funds, and investors. With this codification, the agency has expanded its reach through the development of regional offices and rural business centers and partnering with minority-serving Intuitions. Over the last ten years, MBEs comprised approximately 50 percent of the new businesses started in the United States and created 4.7 million jobs. According to the U.S. Census, there are over 9.2 million minority-owned companies in the U.S., employing 8.7 million workers and generating more than $1.8 trillion in annual revenue. That said, MBEs face unique and disparate barriers to market entry and growth, including but not limited to restricted access to capital and persistent discrimination when compared to White-owned firms.

CONSUMER FINANCIAL PROTECTION BUREAU

Committee Democrats remain strongly supportive of the Consumer Financial Protection Bureau (CFPB), including how Congress structured it with a consumer-driven mission, appropriate accountability, leadership, and independent funding to help ensure a fair and transparent financial marketplace for consumers. The CFPB has addressed predatory and illegal conduct in the consumer finance marketplace since it opened in 2011. As of November 2023, the agency's consumer complaint database has received more than 4.6 million consumer complaints with a 98% timely response rate by financial firms to those complaints. Since its inception, the CFPB has provided over $20 billion in monetary compensation, principal reductions, canceled debts, and other consumer relief for 205 million harmed consumers as a result of its enforcement and supervisory work.

Despite the Majority's clear agenda to undermine the CFPB anyway they can, more than 4 in 5 voters, including 77% of Republicans and 88% of Democrats, support the CFPB and want it to carry out its mission. Committee Democrats reject any attempt to weaken this popular agency, including proposals to replace the CFPB's independent funding with the annual appropriations process. It is important for the only federal agency solely dedicated to protecting consumers in the financial marketplace to remain independent and have access to consistent funding to support its vital work, similar to other federal banking regulatory agencies.

We support efforts by the CFPB, under the leadership of Director Rohit Chopra, to strengthen consumer financial protections and reverse Trump-era rules that would aid financial predators' victimization of consumers. Committee Democrats also support efforts by the CFPB to aggressively enforce all consumer financial protections. These include the agency's enforcement actions to hold large financial institutions accountable when they repeatedly break the law and harm consumers, as well as its recent actions to curb junk fees that financial firms charge consumers, including overdraft and credit card late fees. The agency has taken action to highlight the negative effects of medical debt in credit reporting, which has led to the removal of nearly 70% of medical debt on consumer credit reports, and the agency is looking to take additional steps. Committee Democrats are also supportive of CFPB's proposed rules to ensure Federal oversight of big tech companies that provide digital wallets and payment apps that consumers use every day, as well as to ensure nondiscrimination and proper innovation in Automated Valuation Models. Yet, there remain areas where consumer financial protection laws need to be strengthened by Congress, including with respect to consumer credit reporting, debt collection, data privacy, payments fraud and other payments issues, fair lending, junk fees, alternative data, small dollar lending, small business lending, and student lending. Committee Democrats are also supportive of the Administration's efforts to relieve students of their significant debt burden , considering research showing that it would promote economic growth, allowing more individuals to qualify for a mortgage or a small business loan.

FINANCIAL STABILITY OVERSIGHT COUNCIL AND OFFICE OF FINANCIAL RESEARCH

In the years leading up to the 2008 financial crisis, the American regulatory and supervisory framework did not keep up with the risks to our country's financial stability posed 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. FSOC and OFR monitor and mitigate a wide range of systemic risks to help promote stable economic growth.

Committee Democrats support independent and robust funding to support the work of the FSOC and OFR. Under the Trump Administration, the budget and staffing levels were significantly reduced for both, dangerously limiting the effectiveness of these two critical organizations. We support the Biden Administration's actions to reverse those efforts and to restore FSOC to a robust interagency body focused on a myriad of threats to financial stability, including those posed by non-banks. We reject the Majority's characterizations that FSOC's recent work regarding climate change, artificial intelligence, or digital assets is driven by partisanship as opposed to a sober examination and recognition of real threats that may undermine financial stability. Committee Democrats support the preservation of the FSOC's and OFR's current funding mechanism – which are paid for by systemically important financial institutions in a manner that does not affect the U.S. debt. Additionally, the Committee should promptly take steps to better understand the wide-ranging financial and economic impacts from any damage done to the creditworthiness of the U.S., including a potential default on U.S. debts, that House Republican leadership has threatened with their brinkmanship.

ROBUST BANK CAPITAL TO PREVENT FUTURE BAILOUTS

The 2008 global financial crisis, as well as the 2023 regional bank failures of Silicon Valley Bank, Signature Bank, and First Republic Bank, demonstrated the importance of ensuring large banks are subject to strong capital requirements to limit the risks these firms pose to the economy and prevent the need for future government bailouts. Committee Democrats support Dodd-Frank's enhanced prudential standards applied to the largest financial institutions, including capital, liquidity, leverage, and stress testing requirements, to help constrain systemic risks posed by these firms. Unlike the Majority's views that express unfounded alarm about regulators not being transparent or taking steps to improve safety and soundness of the banking system, Committee Democrats applaud financial regulators for publishing extensive reports on the bank failures and encourage them to work jointly to ensure the prudential regulatory framework, especially with respect to bank capital, liquidity, and risk management, is sufficiently robust to safeguard against a future, costly financial crisis.

Committee Democrats also encourage regulators to finalize long overdue executive compensation rules required by the Dodd-Frank Act to ensure any bank executive responsible for their bank's failure is not allowed to profit from their Misdeeds, and has their compensation clawed back. Moreover, Committee Democrats urge the Majority to work in a bipartisan fashion to advance sensible reforms, including with regard to executive accountability and deposit insurance reforms, that are responsive to last year's bank failures to further support the safety and soundness of the banking system.

OFFICES OF MINORITY AND WOMEN INCLUSION

Even as the nation's demographics become increasingly diverse, the financial services industry has remained mostly white and male. According to findings from three Committee reports examining America's largest banks, largest investment firms, and largest insurance companies, little progress has been made in the past 5 years as it relates to race and gender workforce diversity. To create greater accountability for diversity and inclusion in the financial services sector, 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, each of the Federal Reserve banks, the Federal Reserve Board of Governors, National Credit Union Administration, Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission, and Consumer Financial Protection Bureau. OMWIs is responsible for all matters relating to diversity in management, employment, 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. Additionally, Section 342(b)(3) of the Dodd-Frank Act grants OMWI Directors the duty to assess the diversity policies and practices of entities regulated by the agency. Despite OMWIs having a long history of bolstering transparency as it relates to diversity and inclusion throughout the financial services industry, Committee Republicans refused to prioritize OMWIs in their FY25 budget.

Committee Democrats support full funding for each OMWI to carry out its programs, including data collection and analysis 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.

INTERNATIONAL MONETARY FUND

Committee Democrats believe that there is an urgent need for increased global economic cooperation. With many countries still recovering from the economic upheaval caused by the pandemic, the ongoing challenges of climate change, and the food insecurity and soaring energy costs caused by Russia's war on Ukraine, the consequences for poorer and vulnerable nations will be particularly severe in the absence of a coordinated multilateral response. Indeed, the IMF's 2023 annual report notes that, "Among low-income countries, about 15% are in debt distress, and an additional 45% are at high risk of debt distress." Given the humanitarian impacts of economic crises (on hunger, health, environment, and more), Committee Democrats fully support robust funding for Treasury's international programs and economic cooperation activities. During the height of the COVID-19 pandemic, the IMF provided $219 billion in new financing to 92 member countries, including over $12 billion in emergency financing to low-income countries in the form of fast-disbursing zero-interest loans with almost no conditionality. Committee Democrats commend the IMF for also mobilizing over $927 million to cover IMF debt service payments for the most vulnerable countries.

In August 2021, following support from House Democrats and the Treasury Department, the IMF issued a $650 billion general allocation of Special Drawing Rights (SDRs) to its 190 members—$275 billion of which went to emerging market and developing countries, including $21 billion to low-income countries. According to a study by the Center for Economic and Policy Research, at least 105 countries used SDRs and 104 of these were low-and middle-income countries totaling $81 billion in their government budgets or for fiscal purposes. (The high-income country was Greece, which used SDRs as debt relief for loans taken out in its crisis era.) Seventy-nine countries used SDRs for IMF debt relief, totaling $10.9 billion. In sub-Saharan Africa, 41 out of 45 countries used their new SDR allocations in some way, many to directly address the economic and health impacts of the pandemic, such as by purchasing vaccines, investing in economic recovery efforts, and supporting social programs.

Crucially, the August 2021 allocation provided Ukraine with $2.8 billion worth of SDRs, which it used to repay IMF obligations and acquire usable currency during the war that Russia continues to wage upon it. As the global impact of the sanctions against Russia begin to take hold, especially in vulnerable countries that rely on food imports from Russia and Ukraine, and as energy, food, and commodity prices remain high, Committee Democrats urge the Administration to consider another allocation of SDRs to help countries that are still dealing with one crisis and will soon be dealing with another one. Notably, this aid does not affect the US debt or deficit.

As a critical component of the Administration's economic recovery strategy, Committee Democrats support authorization of the funds appropriated in P.L. 117-103 for the IMF's Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST), which would support loans of up to $21 billion total at these two trusts. The IMF provides concessional financial support to its low-income members through the PRGT, and the RST facilitates IMF members with strong external positions lending SDRs to low-income and more vulnerable middle-income members. Committee Democrats have drafted legislation authorizing the use of the previously appropriated funds for the PRGT and RST and shared this legislation with Republicans so that it could be formally noticed at hearings in the 118th Congress. However, Republicans have refused to notice legislation.

Committee Democrats caution the Fund against a premature push for fiscal consolidation in countries still struggling to address the health and economic impact of the pandemic, as well as the increasingly high cost of food and energy, the prospects of famine, and high levels of debt distress. Committee Democrats also support an extension of the New Arrangements to Borrow (NAB) from 2025 to 2030 at the IMF. The NAB is a set of credit agreements between 40 member countries and the IMF, allowing these countries to make loans to the IMF when the Fund's quota resources are low and ensuring that countries around the world can receive Fund support.

MULTILATERAL DEVELOPMENT BANKS

U.S. leadership at the multilateral development banks (MDBs) is not only central to their legitimacy, but it also helps to advance U.S. foreign policy and national security goals, as well as American values, including respect for human rights. The MDBs are playing a critical role in helping developing and emerging market countries affected by the compounded crises of climate change, the COVID-19 pandemic, and the impact of the war on Ukraine in terms of food and energy supplies and prices; Committee Democrats support the ongoing work by the Administration to advance reforms at the World Bank that increase financing for these global concerns. Committee Democrats also fully support robust funding for contributions to the multilateral development banks' food security and technical assistance programs and will work to meet U.S. commitments to annual contributions to the concessional lending facilities at the MDBs.

Committee Democrats support robust funding for debt relief and remain concerned about increasingly high levels of debt in developing countries. According to the World Bank, about 60% of low-income countries are in, or are at high risk of, debt distress. In November of 2020, the G20 group of nations launched the Common Framework on Debt Treatment to provide comprehensive debt relief, and in some cases, debt forgiveness, from both G20 nations and private lenders to a group of 73 eligible low-income countries. The Common Framework requires full disclosure by the debtor country of the material claims of all its creditors, and debtors are required to seek comparability of treatment from private creditors (terms "at least as favorable") as they receive from official bilateral creditors. The most significant feature of the Common Framework is that it involves the participation of non-Paris Club creditors—including China—in a new multilateral process for official debt relief. While the Common

Framework represents a milestone achievement in bringing China into a multilateral effort to cooperate on debt restructurings, implementation has been disappointing. Committee Democrats call for effective implementation and expansion of the Common Framework, including broadening its scope to include all vulnerable countries with unsustainable debt; implementing a debt-service payment standstill for all applicants to provide cash flow relief and incentivize prompt debt restructuring resolutions; and establishing specific debt treatment benchmarks to help accelerate decision making.

EXPORT-IMPORT BANK OF THE UNITED STATES

For the past 90 years, the Export-Import Bank of the United States (EXIM) has been the official export credit agency of the United States. EXIM provides export financing through its loan, guarantee, and insurance programs to help U.S. exporters compete in the global market while supporting jobs in the United States. EXIM assumes credit and country risks that the private sector is unable or unwilling to accept so that U.S. businesses can compete on an equal footing against foreign competitors who have access to generous export financing through their own government's export credit agencies. When fully operational, EXIM operates on a self-sustaining financial basis, which means that it can fund its own administrative expenses entirely through fees it charges borrowers for its services. After paying these operational and program costs, EXIM contributes its remaining revenues to the Treasury. EXIM has remitted more than $8.8 billion in deficit-reducing receipts to the Treasury since 1992 and has financed more than $96 billion in U.S. exports in the past 10 years.

In 2019, Congress renewed EXIM's operating charter through December 31, 2026. This was the longest reauthorization in U.S. history, granting more stability and continuity to U.S. export policies. The reauthorization legislation mandated a number of initiatives, including the China and Transformational Exports Program (CTEP), which aims to counter export subsidies provided by China in key areas, and introduced new reporting requirements related to transactions involving the Government of the People's Republic of China. Moreover, the reauthorization directed EXIM to set aside 5% of its overall exposure cap each fiscal year to finance renewable energy and energy efficiency. Committee Democrats support full funding for EXIM to maintain the United States' ability compete globally.

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES & OUTBOUND INVESTMENT SCREENING

The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee chaired by the Secretary of the Treasury that reviews certain transactions involving foreign direct 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. Committee Democrats support increased funding for CFIUS in light of its increased workload and the critical national security function it serves.

Committee Democrats also support funding for the related Outbound Investment Security Program, initiated in August 2023 by the Biden Administration, that will address national security risks with respect to certain U.S. investments in foreign entities involving sensitive technologies and products in countries of concern. The program outlines transactions in particular sectors that require notification to the Treasury, and others that are prohibited. On August 14, 2023, the Department of the Treasury issued an advance notice of proposed rulemaking (ANPRM) to implement the program; the resource needs for this new activity are expected to be reflected in the FY2025 budget of the Secretary of the Treasury.

OFFICE OF FOREIGN ASSETS CONTROL

The Office of Foreign Assets Control (OFAC) has primary responsibility for administering and enforcing economic and trade sanctions. Since the beginning of the Russian invasion of Ukraine, Treasury has established numerous new or enhanced sanctions programs, which reflects, in part, the critical role of economic sanctions against Russia in response to the crisis in Ukraine. Committee Democrats support Treasury's full request for increased Terrorism and Financial Intelligence (TFI) funding for the fiscal year 2024 (which includes OFAC) to allow OFAC to manage increasingly complex targeting actions, enforcement efforts, and its complementary licensing program. Committee Democrats also support novel efforts, including the Russian oil price caps program, to influence behavior while forging lasting alliances that advance U.S. national security objectives.

Treasury's 2021 Sanctions Review discussed emerging challenges to the efficacy of U.S. sanctions as a national security tool, including technological innovations such as digital assets and alternative payments systems that may provide opportunities to transfer funds outside the traditional dollar-based financial system. The Committee Democrats expect that OFAC will continue to direct new funding towards modernizing its systems, guidance, outreach, workforce, and infrastructure to effectively identify and address digital assets-related threats. Currently, individual U.S. sanctions programs employ different rules and approaches with respect to humanitarian exceptions; these variations affect the willingness of financial institutions to process these kinds of transactions, which makes it difficult for providers of humanitarian aid to use these channels. Committee Democrats expect Treasury to continue to address the challenges identified in its recent Sanctions Review in mitigating the impact of sanctions on the flow of legitimate humanitarian aid to those in need.

CLIMATE CHANGE

In 2023, the U.S. set a record in experiencing 22 separate disasters – including hurricanes, flooding, heatwaves, wildfires, and droughts – whose damages each exceeded $1 billion, with the total amount at $93 billion and at least 492 fatalities associated with these events. According to the National Oceanic and Atmospheric Administration (NOAA), extreme weather events, driven by human-caused climate change, are occurring more frequently and with an increased cost, in both dollars and lives. While the Majority’s views imply we should ignore these risks, climate change poses major threats to the stability of our financial system. In fact, the FSOC identified climate change as "an emerging and increasing threat to America's financial system that requires action." Committee Democrats support the ongoing work of FSOC and other federal regulators to monitor and mitigate these climate-related risks. Committee Democrats strongly support efforts by financial regulators to better incorporate climate risk into their supervision frameworks. Recent steps taken by banking regulators, including guidance and scenario planning, will help ensure banks better manage their exposure to climate risk, and in so doing, promote financial stability. We also strongly support a proposed rule by the SEC to require publicly traded companies to disclose their climate risk, which responds to strong demand that the Committee has heard from investors and reflects a similar approach to legislation passed by the Committee.

Congress should also permanently authorize the Community Development Block Grant Disaster Recovery program (CDBG-DR) to distribute disaster relief efficiently and equitably, and help communities become more resilient in the face of climate change. Recognizing the growing burden that climate change is imposing on the NFIP, we also support integrating climate risk into the long-term reauthorization of NFIP and shoring up NFIP through enhanced flood mitigation, more modern flood risk mapping, and stronger and more resilient floodplain management. Committee Democrats also support additional federal government efforts to monitor, assess, and appropriately address issues in the insurance and reinsurance markets, including with regard to the availability and affordability of coverage. To that end, Committee Democrats support legislation like the Ranking Member's "Wildfire Insurance Coverage Study Act," which passed the House last Congress.

Committee Democrats support the World Bank Group in its efforts to provide the leadership necessary to address the climate crisis in its lending, advice, and policies, and to make its climate finance accounting and allocation more transparent within its policy lending, project investments, and lending through financial intermediaries. The World Bank Group should ensure that all investments align with the Paris Agreement and set clear targets that help countries meet their nationally determined commitments.

FINANCIAL TECHNOLOGY, ARTIFICIAL INTELLIGENCE, AND RESPONSIBLE INNOVATION

Committee Democrats support the advancement of responsible innovation in housing and financial services. Advancements in artificial intelligence (AI), machine learning (ML), property technology (PropTech), cloud computing, faster payments, digital assets (including cryptocurrencies such as stablecoins as well as government-issued central bank digital currencies, and tokenized traditional assets), distributed ledger and blockchain technology, digital identity, and non-banks that provide financial technology products and services are rapidly altering the financial marketplace. However, as these changes occur, Congress must maintain a strong legal framework that equips regulators with the resources, training, and tools necessary to ensure that 'advancements' in technology do not exacerbate unaffordability and inequity in housing, harm consumers and investors, threaten data privacy, undermine financial stability, create systemic risks, weaken cybersecurity, facilitate financial crime, or promote discriminatory practices. Committee Democrats recommend the FY25 Budget to reflect full funding for agencies to monitor all developments in this space, including AI and ML developments in their supervisory and regulatory technology and in the entities they oversee.

Further, as faster payments and virtual currencies emerge, it is important that the U.S. build a robust regulatory technology infrastructure and continue as a global leader in the financial services industry with safe, responsible, and innovative products and services for consumers and investors, with the U.S. dollar remaining preeminent. That is why Committee Democrats support the Fed's ongoing efforts to research and test a potential U.S. central bank digital currency (CBDC). Committee Democrats are also dedicated to crafting bipartisan stablecoin legislation, incorporating clear Federal rules that adequately address concerns related to stablecoins and ensure robust consumer protection. As federal regulation over banks and nonbanks operating in the payments space are evaluated, Committee Democrats will be vigilant in determining whether faster payments will increase financial inclusion for unbanked and underbanked consumers. Additionally, as emerging financial technology (fintech) products are marketed as innovative alternatives to traditional finance, Committee Democrats will continue to ensure that purported fintech solutions do not harm vulnerable consumers or engage in abusive, deceptive, or unfair practices.

ADVANCING RACIAL EQUITY AT THE TREASURY DEPARTMENT

Committee Democrats support Treasury's efforts to identify, monitor, and review aspects of the domestic economy that has directly and indirectly resulted in unfavorable conditions for Black, Latinx, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color through the Treasury Advisory Committee on Racial Equity. TACRE has the potential to be the first-of-its kind committee within the Treasury to have a measurable impact on racial inequities in our economy, but its success requires commitment and prioritization of the recommendations made by TACRE. Committee Democrats support the Biden Administration's budget requests for all relevant federal regulators, including the Treasury Department, to ensure they also have adequate resources to advance racial equity. Democrats also support efforts to ensure that Treasury continue to intervene and address issues of racism throughout all bureaus of the Treasury, including the United States Mint. Committee Democrats support the implementation of an independent racial equity audit, to take place every two years, that examines the Mint's policies, practices, products, services and efforts to combat systemic racism. The US Mint has had several documented instances of racism, and it is important that all discrimination within the Bureau is addressed and mitigated. Finally, Committee Democrats support efforts to ensure Treasury programs that promote housing opportunities and community development initiatives, including the Low-Income Housing Tax Credit Program, CDFI Fund, and pandemic housing relief programs, are affirmatively furthering fair housing and don't perpetuate racial disparities and other historic inequities.

Sincerely,

Maxine Waters
Ranking Member, Committee
on Financial Services

Nydia M. Velázquez
Member of Congress

Brad Sherman
Member of Congress

Gregory W. Meeks
Member of Congress

David Scott
Member of Congress

Stephen F. Lynch
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Al Green
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Scion of the Enslaved Africans -

Sacrificed to Make America Great

Emanuel Cleaver, II
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