Substitution Amendment to Views and Estimates for the

Fiscal Year 2021 Budget Resolution

Offered by: Mr. Patrick McHenry of North Carolina

Strike everything on line 1 and all that follows and insert the following:

The Strength of the American Economy

Unemployment in the United States reached a 50-year low of 3.5 percent in 2019 and now hovers at 3.6 percent. For 22 consecutive months through December 2019, the number of job openings exceeded the number of unemployed persons available to fill them. The unemployment rate for African Americans, Hispanic Americans, and Asian Americans dropped to their lowest levels on record in 2019.

The labor force participation rate is at its highest level in seven years (63.4 percent), including 2.2 million prime age workers (25-54) who have reentered the labor force. Over the last 18 months, workers have seen the strongest earnings since the recession at 3.1 percent year over year – with average hourly earnings growing a minimum of 3 percent each month.

Over the last three years, this robust economy has added seven million jobs.

Protecting Consumers and Promoting Financial Innovation

The Committee recognizes that innovation can greatly benefit unbanked and under-banked communities. The Committee encourages increased financial inclusion and supports the regulatory changes needed to increase lending and investment in the communities that need it the most.

The Committee supports regulatory right-sizing initiatives to ensure our financial system works for consumers and small businesses, while preserving the safety and soundness of the financial system. The Committee encourages financial regulators to continue to review and update, where applicable, outdated regulations that do not take into account to the modern financial services landscape.

Additionally, the Committee believes that the Current Expected Credit Loss (CECL) accounting standard will adversely impact the cost and availability of credit once fully implemented. Banks of all sizes have outlined the implications this new accounting standard will have on popular consumer products, especially during economic downturns.

Protecting Student Borrowers

Student borrowers benefit from having choice in pursuing their higher education. These choices have been limited since the student loan industry was nationalized by Democrats in 2010. The result is a $1.5 trillion student debt crisis. Attempts to further limit choice by crowding out the remaining private student lenders will only exacerbate the crisis. The Committee is committed to increasing choice and competition, which lowers the cost of credit for all student borrowers. Moreover, the low default rates and high repayment rates of private student loans, demonstrate the approach that should be taken to get the loan crisis under control.

Strengthening the Accountability of the Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) is an unaccountable agency with vast authority. The CFPB is run by a single Director who is appointed by the President and confirmed by the Senate. However, once confirmed the Director is only removable for "inefficiency, neglect of duty, or malfeasance in office."

The CFPB should be reformed to make it more accountable to the Congress and the American people. Specifically, the CFPB:

- should be run by a five-member commission;
- should be funded through the annual appropriations process; and
- should have its own Inspector General.

Additionally, Congress should give CFPB statutory authority to oversee the Military Lending Act.

Strengthening National Security

Addressing the Threat Posed by the Chinese Regime

China remains a global threat and the Committee believes a whole of government approach is necessary. This includes using leverage at our international financial institutions and sanctioning authority.

In December 2018, the Trump Administration announced that it would oppose any change to the existing quotas at the IMF. The Committee appreciates that this action prevented an increase in IMF shareholding for the governments of Russia and China. Strengthening the shareholding of Moscow and Beijing would have advanced the interests of two brutal regimes that demonstrate little commitment to international values and principles, including respect for basic human rights.

The Committee further supports the Administration's efforts to graduate the People's Republic of China from World Bank assistance given that China already exceeds the Bank's Graduation Discussion Income and possesses more than $3,000,000,000,000 in foreign exchange reserves.

Through its oversight, the Committee will seek to ensure that OFAC imposes sanctions pursuant to the Otto Warmbier North Korea Nuclear Sanctions and Enforcement Act of 2019, including designations for any Chinese entities engaged in sanctionable activities with respect to North Korea.

With respect to the People's Republic of China, the Committee believes that flexible targeted sanctions are generally more appropriate tools to change the behavior of Chinese entities than broad-brush financial prohibitions characterized by indiscriminate targeting and unclear objectives.

Combating Terrorist Financing

The current anti-money laundering (AML)/countering the finance of terrorism (CFT) legal regime has seen small changes since the Bank Secrecy Act (BSA) was enacted in 1970 and must be modernized. Reforms are needed to reflect advances in technology and address undue regulatory burdens on financial institutions, while at the same time strengthen national security and deter illicit use of the financial system.

Increasing Public Markets

A 2012 study found that for the 2,766 companies that went through an IPO process between 1996 and 2010 employment cumulatively increased by 2.2 million jobs. The Committee believes that American investors and workers are best served by having more public companies for investment.

Regulators and legislators should focus on regulatory right-sizing to encourage IPOs. The Committee believes that mandatory disclosures of non-material information are a step in the wrong direction and will lead to fewer public companies and ultimately fewer productive jobs for the American people.

Creating Investment Opportunities

The Committee will work to ensure that everyday investors have as many investment opportunities as possible, subject to appropriate investor protections. This includes recent regulatory efforts to expand the definition of "accredited investor." The Committee should consider legislation that will expand further investment opportunities for everyday investors, whether through direct investment, expanding compensation opportunities for startups, or allowing for investment in private companies through pooled investment vehicles.

Protecting Everyday Investors

The Committee is concerned by recent financial transaction proposals that would impact our nation's capital markets – particularly harming everyday retirement savers and hardworking pensioners. Proponents of these financial transaction proposals claim they will only target the wealthy and will curb specific trading activity. However, the Committee notes that under such proposals a mutual fund investor may have to work an additional two-and-a-half years to achieve the same retirement goal. The same study indicated that everyday Americans saving for their child's college may have to save roughly $250 more per year for 20 years for every child to achieve the same savings account balance that would have existed absent these burdens.

The Committee also notes that similar proposals have been implemented in other countries with advanced financial markets and these countries' markets and investors have been adversely impacted.

Protecting States Rights

For 150 years, U.S. insurance companies of every kind—including property/casualty, life, reinsurance, and health—have been regulated primarily by the states. In 1945, Congress passed the McCarran-Ferguson Act, which confirmed the states' regulatory authority over insurance except where federal law expressly provides otherwise. Under the McCarran-Ferguson Act, each state has an insurance regulatory official who is charged with overseeing the solvency of insurance companies doing business in the state as well as their underwriting and market practices.

This system of state regulation of the business of insurance has facilitated the creation of a robust, competitive, and innovative insurance market and has protected American consumers for more than 150 years without passing new costs on to federal taxpayers. The Committee believes the best way to maintain a healthy insurance market and to protect consumers is through state, not federal, regulation. To that end, Congress should continue to defer to the states' regulation of the insurance sector as set forth in the McCarran-Ferguson Act.

Addressing the Problem of Homelessness in America

Homelessness remains a persistent, serious, and costly problem that requires a coordinated effort to address. Although each state faces its own set of homelessness challenges, statistics show that homelessness is more prevalent in states with large, metropolitan areas than states that are more rural in nature. According to data from HUD, the homeless population in states like New York and California has increased since 2007. The data also reveals the homeless population decreased by more than 30 percent in states like Texas, Florida, and Michigan over the same time frame. Reducing homelessness is a critical issue best addressed through a broader, community-wide response that engages every level of government and follows the examples of states that have proven track records of enacting effective solutions to reduce their homeless populations.

Currently, there are approximately 23 Federal programs across eight Federal agencies that are charged in some form with ending homelessness. The Committee should require unified Federal agency strategies, definitions, and applications to achieve the objective of ending homelessness for all Americans.

Strengthening the Housing Market

The GSEs pose a continued risk to taxpayers, especially through their expanded activities and the further consolidation of their dominant market share. The Committee should require the GSEs to build capital that can properly support their risk to ensure that taxpayers will not be on the hook if there is an economic downturn.

Additionally, increased competition would reduce market reliance on either Enterprise and enhance market stability, as well as benefit homebuyers. Congress should enact legislation to authorize FHFA to charter competitor guarantors to the GSEs.