Minority Views

The following represent the views of the Democratic Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2018.

February 28, 2017

Due to the efforts of the Obama Administration, the effectiveness of the Federal Reserve System in promoting maximum employment and price stability, the existence of a strong and independent Consumer Financial Protection Bureau (CFPB or Bureau) tasked with ensuring markets function fairly for consumers, responsible providers and the economy, and Congressional Democrats' actions preventing the wholesale unwinding of vital financial services reforms, the United States economy is now in its eighth year of recovery after the longest and deepest recession since the Great Depression. Even though President Obama faced record high unemployment rates and staggering job losses of nearly 800,000 a month when he first took office in January 2009, the American economy has now experienced 83 straight months of private sector job growth, according to the United States Bureau of Labor Statistics. The housing market has stabilized, with average home prices returning to pre-financial crisis levels. Wages are rising, and the stock market has reached record highs.

While progress has been significant, persistent challenges remain for many struggling Americans. According to Pew Research Center analysis, the wealth gap between America's upper-income families and everyone else in 2014 was the widest that it has ever been since the Federal Reserve Board of Governors (Federal Reserve) started collecting this data over 30 years ago. In 2013, the median wealth of the upper-income families ($639,400) was about seven times the median wealth of middle-income families ($96,500). Since the recession, middle-income families' wealth has declined by 39 percent and low-income families' wealth by 41 percent.

The Great Recession also deepened the growing wealth gap between white and minority households in this country. According to Pew Research Center analysis of data from the Federal Reserve's Survey of Consumer Finances, the net worth of white households of $144,200 in 2013 was about 13 times that of black households and roughly ten times that of Hispanic households. On average, African-American households lost 52 percent of their wealth and Latino households lost 66 percent, while white households lost only 16 percent. And while the unemployment rate for minorities has significantly improved since the recession, it remains unacceptably high, at 7.7 percent for African-Americans and 5.9 percent for Hispanics, compared to 4.3 percent for whites.

The persistent economic disparities in this country demonstrate the importance of supporting public policies that promote fair treatment and equal opportunities for all Americans, which includes providing adequate funding to the Federal government agencies responsible for running and overseeing many vital programs.

Many Federal government agencies and programs that operate to promote the stability of our economy, ensure all American families have equal opportunities to prosper, and protect the most vulnerable individuals and communities of our population, fall under our Committee's jurisdiction. For example, in the area of housing, Federal government programs provide safe, decent, and affordable housing for many senior citizens and disabled. In the area of job creation, the Export-Import Bank (EXIM) serves as a valuable resource to help American manufacturers and workers thrive in the face of an increasingly competitive global landscape. In the area of consumer protection, the CFPB roots out unscrupulous financial practices, resulting in nearly $12 billion being provided to more than 29 million consumers who have been harmed by bad financial actors.

Unfortunately, the regressive agenda advanced by the Trump Administration, which is strongly echoed throughout the Majority's views and estimates (Majority's Views) of the budget for fiscal year (FY) 2018, would recklessly jeopardize the economic progress realized during the Obama Administration. One evaluation of President Trump's tax, spending, immigration, and trade proposals, for example, projected that they could result in the loss of $1.39 trillion in economic output over ten years. In aggregate, the imprudent ideas President Trump has put forth, many of which are supported by the Majority, would shrink our economy, worsen inequality, lift inflation, reduce exports, eliminate jobs, explode Federal budget deficits, and ultimately steer this country down the path to another significant financial crisis.

Because the Majority's Views contain many flawed and inaccurate arguments about the value of several key Federal agencies and programs, the Views misguidedly call for severe and widespread funding cuts to many vital agencies and programs. The Majority's Views, for instance, would result in the roll-back of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which created critical consumer, investor, and taxpayer protections, and prevented risky and predatory practices by Wall Street.

Despite significant opposition from the Majority, Democrats on the Committee remain committed to supporting policies that advance shared prosperity, and steadfastly against actions that would undermine those policies to the detriment of hardworking Americans.

THE NEED FOR HUD AND USDA HOUSING PROGRAMS

It is well established that housing serves as a platform for improving a person's quality of life, from the education and health outcomes of children, to seniors aging in place. Research also has demonstrated that access to affordable housing also stimulates the national housing market and overall health of our country's economy. These are measurable outcomes of Federal housing assistance that are well-documented, contrary to the rhetoric espoused in the Majority's Views. Numerous studies have also shown that it is more costly to taxpayers to allow chronic homelessness to persist than it is to provide permanent supportive housing. Other studies have found that a lack of affordable housing depresses local economies. Further, given that demographic growth in households will largely be driven by minorities, the Urban Institute rightly concludes that failing to address the homeownership gap between white and minority households will have negative implications across America's housing market.

When it comes to affordable housing, funding levels have real consequences for hundreds of thousands of children and families. It is, therefore, essential that Congress fully fund the United States Department of Housing and Urban Development (HUD) and the United States Department of Agriculture's (USDA's) affordable housing programs. In contrast, the Majority's sham poverty initiatives would undermine the progress we have made to date in alleviating poverty for millions of American households. The Majority's austerity measures to limit funding for these important programs would continue to hamper their reach, with less than one in four families eligible for rental assistance actually be able to receive it.

In the richest country in the world, Democrats find it simply unconscionable that so many families struggle to access safe, decent, and affordable housing.

HUD'S FEDERAL HOUSING ADMINISTRATION

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, first-time homebuyers, low- and moderate-income households, and minority households. Democrats' recognize the importance of preserving the FHA, and are dismayed by the Majority's misguided attempts to shrink drastically its footprint. According to its counter-cyclical role, the FHA's footprint expanded in response to the housing crisis, and receded appropriately as the housing market recovered.

The FHA has made a strong recovery since the housing crisis under the Obama Administration's leadership. According to the most recent independent actuarial analysis of the FHA's Mutual Mortgage Insurance Fund (Fund), it has experienced four straight years of improved economic health, with a gain of $44 billion in value since 2012, and a capital ratio that exceeds the statutorily mandated level. Further, the delinquency rates for FHA loans have continued to decrease on a year-over-year basis for the past few years. Despite the FHA's strong financial health, however, the Trump Administration suspended planned reductions to FHA premium rates that would have saved new FHA borrowers an average of $500 this year. Premiums were increased to record high levels in response to losses incurred by the housing crisis, but with the greatly improved health of the Fund, these levels are no longer justifiable and should be responsibly reduced.

HUD'S RENTAL ASSISTANCE PROGRAMS

HUD's rental assistance programs include Public Housing, the Section 8 Housing Choice Voucher (HCV) program, Section 8 Project-Based Rental Assistance (PBRA), the Indian Housing Block Grant (IHBG), Section 202 Housing for the Elderly, Section 811 Housing for Persons with Disabilities, Housing Opportunity for Persons with AIDS (HOPWA), HUD-Veterans Affairs Supportive Housing (HUD-VASH), and Family Unification Program (FUP) vouchers, which collectively are responsible for providing stable housing for 10.1 million individuals in roughly 4.6 million rental units. Thus, without these important federal subsidies, millions of current and future households would be severely rent-burdened or homeless. According to the Center on Budget and Policy Priorities' analysis of 2012 data, Federal rental assistance kept 4.1 million people, including 1.4 million children, out of poverty.

Democrats are dismayed by the Majority's claim that the costs of HUD's rental assistance programs are increasing in an unsustainable manner. It is important to note that the costs of these programs have increased due in large part to Congressional actions that have authorized much needed new vouchers, including vouchers targeted for homeless veterans. The squeeze in the HUD budget is driven not by mismanagement of rental assistance costs, but by Budget Control Act spending caps that are prohibiting Congress from making badly needed investments to address homelessness and other affordable housing needs.

Democrats support robust funding for HUD's rental assistance programs to fully meet the housing needs of all low-income American households., including a Democratic proposal, *The Public Housing Tenant Protection and Reinvestment Act* (H.R. 2231 of the 114th Congress), that seeks to preserve public housing and transform extremely impoverished neighborhoods. This proposal would authorize full funding for public housing and provide additional funding to address the backlog of capital needs. It would also provide a loan guarantee for public housing agencies to attract outside investment into public housing units, and authorize a grant program that focuses on revitalizing the most distressed public housing units. Since Congress has not provided sufficient resources to keep up with aging infrastructure of public housing, many public housing authorities around the country need to address building infrastructure needs in order to improve resident health and safety. This underscores the importance of considering proposals such as this one. Further, Democrats maintain that public ownership of public housing guarantees long-term affordability of the properties and provides key benefits to residents that the private sector most likely would not be able to replicate.

HUD'S HOMELESS ASSISTANCE PROGRAMS

Democrats believe that it should be a priority to end homelessness in this country, which starts with support for full funding for HUD's McKinney Vento Homeless Assistance Grants program. After Democrats spearheaded the passage of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act in 2009, the United States Interagency Council on Homelessness (USICH) put forward the *Opening Doors* strategy, the first-ever Federal strategic plan to prevent and end homelessness. USICH's leadership has resulted in significant and measurable progress since 2010, with an overall decline in homelessness nationwide by 14 percent, reduction of homelessness among veterans by 48 percent, decrease of chronic homelessness among individuals by 27 percent, and a reduction of homelessness among people in families with children by 19 percent.

However, according to HUD's most recent point-in-time count, there were still 549,928 people experiencing homelessness on any given night in January 2016. Sadly, over one-fifth of people experiencing homelessness are children and nearly 7 percent are veterans. Democrats are distressed that the Majority continues to ignore the needs of the homeless by refusing to hold a single hearing on the topic and refusing to consider Democratic bills that provide real solutions for the homeless.

Democrats fully support the goals of ending homelessness in America set forth in *Opening Doors*, and recognize that increased funding is necessary to achieve those goals, in addition to effective partnerships across all sectors and the effective targeting of funds. To that end, Democrats have introduced *The Ending Homelessness Act* (H.R. 4888 of the 114th Congress), to provide an additional $13.27 billion in mandatory funding over five years to several different Federal programs and initiatives. All in all, the proposal would provide an estimated 405,000-410,000 units of housing to effectively end homelessness in this country. The proposal would also permanently authorize USICH, which is set to expire at the end of this fiscal year, to promote effective coordination and efficient use of homelessness funding, and to ensure that the progress we achieve is sustained for years to come.

HUD'S HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

Democrats are also dismayed that, despite the Majority's emphasis on the importance of private sector participation in housing development, they continue to ignore and cut funding for HUD programs that have a record of successful public-private partnerships in the creation of affordable housing. For example, the Community

Development Block Grant program (CDBG) leverages $4.07 in private funding for every $1.00 of CDBG funding invested, and has created or retained over 387,000 jobs between FY 2015 and FY 2016 alone, benefiting over 42 million people through affordable housing and public services. The Home Investment Partnerships (HOME) program has also supported nearly 1.6 million jobs and generated $100.7 billion in local income since its inception, while building over 1.2 million units of affordable housing since 1992. Democrats have, and continue to, oppose the steady funding cuts that both the CDBG and the HOME programs have experienced.

Democrats are concerned with the Majority's constant attacks on the National Housing Trust Fund (HTF) and the distinct purpose that it serves. The HTF, which received its first round of funding in early 2016, is currently the only Federal program that specifically targets affordable housing production for extremely low-income (ELI) households. This is particularly important in light of the shortage of 7.2 million affordable and available rental units for the country's 10.4 million ELI households.

FAIR HOUSING

Democrats strongly support HUD's efforts to fight discrimination and enforce the Fair Housing Act (FHA), including the Housing Initiatives Program (FHIP) and Fair Housing Assistance Program (FHAP). In particular, Democrats support HUD's final rule implementing the "affirmatively furthering fair housing" provision of the FHA, which empowers local communities to do more to promote fair housing and inclusive communities. Democrats will continue to monitor HUD's enforcement of the FHA to ensure that the Trump Administration is fully upholding the law.

NATIVE AMERICAN HOUSING

Democrats continue to support the fundamental recognition of self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). We support robust funding for the NAHASDA programs, including the Native Hawaiian housing programs. We also support the clean reauthorization of these programs, without the inclusion of provisions that would be harmful to the low-income households that benefit from them.

USDA'S RURAL HOUSING PROGRAMS

Democrats understand the acute housing needs of rural communities and households. Democrats, therefore, are troubled by the Majority's ignorance about the importance of the USDA's rural housing programs, dismayed by their inaccurate characterization of them as duplicative, and disagree with their failure to provide adequate funding. The housing needs of rural areas are distinct and deserve better than a one-size-fits-all approach. In contrast, Democrats believe that the RHS plays a distinct and critical role in the Federal government's housing assistance strategy, and in the housing market overall.

Democrats are also committed to providing the necessary funding to preserve the affordability of rental units under the Section 515 Rural Rental Housing Loan program. An increasing number of loans in this program are projected to mature in the coming years, which poses the risk of losing deeply affordable rental housing in rural communities, as well as the risk of displacing vulnerable families. In response to similar issues in the HUD context, Congress acts annually to provide vouchers for tenants to ensure they are not displaced. However, in the RHS context, Congress has not provided nearly enough vouchers for the projected number of households who could be affected by such displacement. Congress should consider holistic solutions to preserve these properties and avoid displacement at all costs. Additionally, Democrats recognize that additional federal funding will be necessary in order to incentivize increased private investment into the revitalization of these aging properties.

Democrats are encouraged by improvements made by RHS to better project funding needs under its Section 521 Rental Assistance Grant program, but are concerned that RHS is failing to re-lease vouchers that cycle out of the program when families no longer need assistance. Instead of allowing these vouchers to disappear, RHS should return to its practice of actively re-leasing these vouchers to families waiting for such assistance.

GOVERNMENT SPONSORED ENTERPRISES

Democrats believe 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; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity, and prevent disruptions during a transition to a new finance system; support affordable rental housing, and the multi-family market; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

Economists, housing advocates, and industry all agree that the *Protecting American Taxpayers and Homeowners (PATH) Act* (H.R. 2767 of the 113th Congress) is harmful legislation. Democrats are concerned by the Majority's continued support for completely privatizing our housing market and many of the flawed policies contained in the *PATH Act*. As evident from the Majority's failure to move the *PATH Act* through the full House, a majority of Members of Congress appear to share our concerns about this legislation. The *PATH Act* would have drastically reduced access to the affordable, 30-year fixed rate mortgage, making it a product only available to a tiny subset of lower income FHA borrowers, or to the richest households, who are able to obtain jumbo loans. The bill removed key protections for investors but expected them to bear all mortgage credit risk. The *PATH Act* was also bad for community banks and credit unions because it severely cut their access to the capital markets and undermined the FHA. The bill harmed consumers by repealing existing predatory lending provisions. The bill would have hurt renters by abolishing the affordable HTF, eliminating the Federal government sponsored enterprises' (GSEs) role in multi-family housing, and making the FHA multi-family program an administrative nightmare. The *PATH Act* was also bad for taxpayers, codifying an implicit guarantee on our housing market that would have required a future bailout. In sum, the *PATH Act* would have been a disaster for the American housing market, which drives nearly 20 percent of our nation's GDP.

Given the Majority's inability to pass housing finance reform over the six years that they have controlled the House, Democrats applaud the sound actions taken by the Federal Housing Finance Agency (FHFA) to expand responsibly access to sustainable homeownership and affordable rental housing while still protecting the taxpayer. In fact, by March 2017, the GSEs will have returned $265.8 billion to the United States Treasury and taxpayers, more than $78 billion above and beyond their initial draw. The GSEs continue to provide access to affordable housing for low-, very-low, and extremely low-income families. Following the first ever contribution from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) to the fund, the HTF provided $174 million to the states to support affordable rental housing. In 2015, Fannie Mae and Freddie Mac financed over 686,000 multi-family rental units for low-income households, including roughly 146,000 rentals for very low-income households. In addition, of the more than $825 billion in financing for single family homes provided by Fannie Mae and Freddie Mac, the GSEs directed more than 20 percent of their financing to supporting low-income family home purchases and more than five percent to very low-income family purchases. Democrats applaud the role that the affordable housing goals have played to expand access to homeownership, and urge the FHFA to continue to bolster the housing goals. Democrats will also closely watch future efforts to promote affordable rental housing, including monitoring whether the affordability of rents and lease terms for renters in the single family rental home market are sufficiently improved to justify GSE partnerships with institutional investors.

Democrats also commend FHFA's decision to permit the GSEs to guarantee 97 percent loan-to-value mortgages, provided that the borrower meets additional criteria, because it enables a broader pool of creditworthy borrowers to achieve the dream of homeownership. Democrats expect the FHFA to take additional steps in the coming year to assist underwater borrowers, who are still struggling as a result of the financial crisis, by providing a loan modification or refinancing, which includes principal reduction.

Democrats also support FHFA's effort to fulfill its obligation to preserve a liquid, competitive, and national housing market. Last year, FHFA worked to build and test the operations and architecture of the Common Securitization Platform and successfully implemented the first phase of its release. In the next two years, we expect FHFA to launch the second phase and implement its initiative to implement a single security to complete this project.

CONSUMER FINANCIAL PROTECTION BUREAU

Democrats strongly support the mission and current structure of the Consumer Financial Protection Bureau, which was created under the Dodd-Frank Act, to better protect consumers from predatory practices and promote fair and transparent markets for the provision of consumer financial products and services.

Since the Bureau was established, it has implemented new rules for mortgage markets and prepaid cards, released comprehensive studies on private education lending, credit reporting, and mandatory arbitration in consumer contracts, and successfully recovered nearly $12 billion for 29 million consumers harmed by predatory and illegal financial practices. The Bureau has also established a transparent and robust consumer complaint mechanism, which has received over 1 million complaints. To date, an impressive 97 percent of the complaints that were sent to companies for review have received timely responses, which underscores the tremendous value the database is providing to consumers.

Democrats are troubled by the Majority's constant attempts to undermine the Bureau with their false characterizations of it as a rogue Federal agency that operates without any congressional oversight and accountability because its funding is independent of the congressional appropriations process. In doing so, the Majority appear to be relying on alternative facts. While it is true that the Bureau's funding structure allows it to operate without the undue partisan influences associated with a reliance on congressional appropriations, the other Federal banking agencies are also not subject to appropriations and the extensive congressional oversight of the Bureau's activities can easily be shown through the number of times in which Bureau's officials have been called to testify before Congress. The Director, or other Bureau's officials, have testified before the relevant Committees of jurisdiction 62 times since its inception. The Director is required to appear before the relevant Committees to discuss its activities outlined in the statutorily mandated semi-annual reports. In total, the Bureau has submitted 70 reports to Congress on a range of consumer financial protection issues.

Given the effectiveness of the Bureau's efforts to protect American consumers from the greed and reckless behavior of Wall Street and, by extension, to reduce the risk to taxpayers from another financial crisis triggered by such predatory practices, Democrats will continue to fight to preserve CFPB's funding and governance structure.

SECURITIES AND EXCHANGE COMMISSION

Democrats are increasingly concerned with the Majority's efforts to severely constrain the oversight and enforcement responsibilities of the Securities and Exchange Commission (SEC or the Commission), particularly at a time when the capital markets in this country are growing at a rapid pace. The Commission cannot comply successfully with its three-part mission without adequate resources to do so. Democrats recognize the tremendous pressure on the Commission to implement key provisions of the Dodd-Frank Act, the JumpStart Our Business Startups (JOBS) Act, and the Fixing America's Surface Transportation (FAST) Act, which collectively have added 100 new rulemaking responsibilities, and applaud it for completing 78 percent of the rules required under the Dodd-Frank Act.

The SEC's important responsibilities to oversee the markets are broad and complex. The Commission oversees nearly 28,000 market participants, which includes 12,200 investment advisers, over 850 investment company complexes managing over 9,700 mutual funds and Exchange Traded Funds, approximately 4,400 broker-dealers, over 400 transfer agents, 18 national securities exchanges, 85 alternative trading systems, six active clearing agencies and three exempt clearing agencies, the security futures product exchanges, the National Futures Association, the Securities Information Processors, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of approximately 9,000 reporting companies.

The Majority's attack on the Commission for failing to improve significantly its annual examination rates for investments advisers ignores the fact that the Commission's capacity to examine them has severely lagged the number and sophistication of these advisers, which resulted in the SEC only being able to examine 11 percent of investment advisers last year.

The SEC is also responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate disclosure violations to complex financial products. In addition, the SEC's enforcement efforts must focus on emerging market threats involving new trading technologies, such as high-frequency trading and algorithmic trading, large volume trading, and systemic insider trading and manipulation schemes. Democrats are dismayed that the Acting Chairman of the Commission has taken steps to curtail enforcement by restricting the Commission's ability to initiate enforcement actions. Democrats will continue to demand that the Commission increase its enforcement efforts, including against trading venues that provide preferential treatment to certain traders and against traders that engage in abusive and manipulative practices at the expense of retail and institutional investors.

While the SEC's efforts resulted in over $4 billion in disgorgement and civil penalties in fiscal year 2016, Democrats urge the Commission to obtain a greater number of admissions of guilt in its enforcement actions to send a strong signal to the market. Democrats also believe that the Commission should establish a deliberative, public process to consider whether waiving automatic sanctions for bad actors appropriately deters wrongful conduct, protects investors, and promotes the integrity of the markets. Democrats also expect the Commission to take enforcement action against insider trading by high ranking public and quasi-public officials, including those officials that have not either divested of their personal financial holdings or made use of a blind trust to prevent conflicts of interest.

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 by changes to the size, complexity, interconnectedness, and globalization of financial conglomerates. The Financial Stability Oversight Council (FSOC) was established under the Dodd-Frank Act to close these regulatory gaps and the Democrats continue to believe its serves a vital function. The FSOC is chaired by the Treasury Secretary and the voting members of FSOC are the heads of each of the Federal financial services agency. State financial services regulators and other experts provide additional perspectives as nonvoting members. The FSOC meets regularly and produces an annual report to Congress highlighting emerging risks with recommendations to address them.

Democrats also support the purpose and structure of the Office of Financial Research (OFR), which was created under the Dodd-Frank Act to provide much needed insights into the shadow banking system. 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 as possible.

The OFR also works closely with regulators to improve the transparency and function of our financial system, which is demonstrated through its collaboration with the Federal Reserve to create a more reliable alternative to the London Interbank Offered Rate (LIBOR), which was previously found to have been manipulated by Wall Street firms, and ongoing work to promote the use of legal entity identifiers. The Majority's view of the OFR as redundant and unnecessary is simply inaccurate.

Both FSOC and OFR have grown as new organizations since their inception and have honed their forward-looking capacity to identify threats and craft solutions as needed, and have instituted additional procedures to promote transparency to the public. The budgets of FSOC and OFR do not affect the deficit because they are offset by a fee imposed on systemically significant financial institutions. Furthermore, through the FSOC's designation authority and the OFR's data collection, regulators have identified institutions that pose heightened risks to the economy and succeeded in encouraging some firms to drastically reduce their risk profiles, thereby protecting taxpayers by making deficits associated with future financial catastrophes much less likely.

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. Such institutions that are so large and complex that they cannot be resolved without harming the broader economy are known as "too-big-to-fail."

The Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. The law requires that the largest banks and systemically important financial firms be subject to stricter 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 down turns or unexpected shocks to the system. In fact, banks in the United States have added more than $700 billion in capital to absorb potential losses and are much less reliant on the kinds of short-term funding that disappeared in the crisis because of these rules. Furthermore, the Volcker Rule now prohibits banks from risky proprietary trading, ending the practice of allowing banks to gamble with their customers' money.

In addition, the Dodd-Frank Act requires the largest banks and systemically important financial firms to submit to regulators a resolution plan or "living will," which demonstrates how that institution could be successfully resolved through the Bankruptcy Code. If regulators deem the plans not credible, they can require firms to raise more capital, exit lines of business, or even divest entirely of complex subsidiaries. On December 12, 2016, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) imposed restrictions on the ability of Wells Fargo to expand certain international and non-bank business activities after the bank failed to address deficiencies in its previous living wills. While this step is long overdue, we believe that the Federal Reserve and the FDIC need to more forcefully utilize their enhanced authorities to force large, complex firms to exit risky business lines and reduce their financial footprint.

While the Majority claims to be concerned with the lingering challenge of "too big to fail," and the Chairman has publicly praised the living wills requirement, the Majority has evidenced no serious attempt to ensure that the largest, most complex firms are small and simple enough to be resolved through bankruptcy, instead favoring bills that make new, yet inadequate bankruptcy code chapters to fit the mega banks. In addition, the Majority proposes to exchange an insufficient and oversimplified capital requirement on the largest banks for a massive exemption from all other risk-reducing financial reform rules. Democrats believe that the Majority's position is wrong, and are worried that it represents a recipe for financial disaster.

In contrast, Democrats are committed to ensuring that large financial institutions can never again threaten our economy. As such, if the Federal financial services regulators and the Trump Administration are reluctant or fail to utilize the full suite of reform tools created under the Dodd-Frank Act to reduce the risk posed by our largest banks, Democrats vow to undertake an aggressive oversight and legislative agenda to protect taxpayers.

ORDERLY LIQUIDATION AUTHORITY

Because not all threats to economic stability can be foreseen, the Dodd-Frank Act also provides regulators with additional authorities to resolve systemically important firms in an orderly fashion – known as the Orderly Liquidation Authority (OLA). Under OLA, if regulators must use government funds to help resolve an institution in order to prevent contagion or other economic catastrophe, any funds would be recouped from an assessment on all systemically important institutions at no cost to the American taxpayer.

Although the Congressional Budget Office (CBO) estimated last year that a repeal of the OLA would reduce the deficit by $15.2 billion over ten years, these savings stem only from the fact that CBO is merely looking at a ten-year period and that all expenditures would eventually be recouped. By selectively citing CBO's earlier estimates of $22 billion, the Majority's Views not only fails to acknowledge that the decline in costs is the result of a safer financial system but also misleadingly uses the CBO's estimate to suggest that regulators would ignore the law and pass on the cost to taxpayers. In the 2012 estimate referenced above, CBO also states that, "[t]he FDIC is required to collect fees from other large financial firms to offset the cost of *any* losses resulting from those activities." (Emphasis added). Furthermore, proposals to enhance the Bankruptcy Code to better handle a resolution of large, complex financial firms are no substitute to OLA and do not resolve the many shortcomings the Lehman Brothers bankruptcy filing exposed. Repealing the OLA, as the Majority proposes, would bring us back to the bailout era and dangerously expose the country's economy to additional uncertainty and instability, thereby inviting a crisis whose cost would likely be an order of magnitude much greater than any fictional savings.

FEDERAL RESERVE SYSTEM

The Federal Reserve has played an essential role in stabilizing and supporting our economy after the financial crisis wiped out $13 trillion in household wealth, which displaced 11 million Americans from their homes, and eliminated nearly 9 million jobs. Taking a variety of extraordinary actions, including by significantly growing its balance sheet, the Federal Reserve calmed financial markets, expanded the availability of credit to households and businesses, and helped drive down the devastating 10 percent unemployment rate to a level of 4.8 percent today, all while keeping inflation low.

Ignoring its successful record in recent years, and deflecting from their own fiscal policies which failed to compliment the Federal Reserve's significant efforts, the Majority has incorrectly argued that it enjoys too much independence and has called for replacing its discretionary policy-making with their own. Indeed, the Majority has called for imposing a strict rules-based monetary policy regime subject to GAO review and audits, which together would gut its independence from short-term political pressure and end its ability to make effective decisions based on a wide range of economic data. Had the Federal Reserve been restricted to the "reference rule" included in the Majority's *Fed Oversight Reform and Modernization (FORM) Act of 2015* (H.R. 3189 in the 114th Congress), it would have had to raise interest rates and slow the economy at exactly the time when low rates were needed to grow the economy and reduce unemployment. According to the Minneapolis Federal Reserve Bank, if the Majority's "reference rule" had been adhered to over the last five years, 2.5 million more Americans would be unemployed today.

In addition to the Majority's destructive and unwarranted "reform" agenda, Democrats remain concerned by the Majority's record, seen through their support of a provision in the *FAST Act* that pillaged the Federal Reserve's surplus account to pay for investment in our nation's infrastructure. The Majority's support for this approach shows their misunderstanding of the very purpose of this "rainy day" account fund, which is to promote confidence in our central bank. For decades, the surplus account has served as a buffer for the Federal Reserve's regional banks when implementing U.S. monetary policy. According to a February 2017 Government Accountability Office (GAO) report, dramatically limiting this critical buffer "could negatively affect the Federal Reserve's independence in monetary policy decision making by rendering it dependent on Treasury for recapitalization in the event that total Reserve Bank capital is depleted." Although the cap has yet to impede the Federal Reserve System daily operations, Democrats remain concerned that capping the surplus fund would unnecessarily undermine international confidence in our central bank.

Critics of the Federal Reserve often confuse transparency and accountability with independence. The Federal Reserve, like every other central bank in the developed world, enjoys a unique independence from its legislature. This independence results in objective, non-political policymaking and a high degree of credibility with financial markets.

Claims that the Federal Reserve is neither transparent nor accountable to Congress and the American public are disingenuous. The fact is that the GAO has conducted numerous audits of the Federal Reserve since 1978, both at the direction of Congress and of its own authority, including two comprehensive audits of the Federal Reserve's emergency financial crisis lending. The Federal Reserve also discloses a considerable amount of information about its operations both voluntarily and as required by statute, including publishing its balance sheet every week, publishing statements about longer-run goals and monetary policy strategy, as well as its normalization principles and plans. The Federal Reserve also publishes an annual report of its open market operations. Moreover, Federal Reserve officials frequently deliver public remarks explaining their views, and Federal Reserve Chair Janet Yellen conducts regular press conferences at which she explains the FOMC's outlook on the economy and monetary policy.

Going forward, Democrats will continue to reject baseless attacks on our central bank. We will continue to hold the Federal Reserve accountable for meeting its full employment and price stability mandate and we will continue to advocate for protecting the independence of the Federal Reserve including by making the members of the Board of Governors and the presidents of the Reserve banks more reflective of the interests of America as a whole.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND AND THE CDFI BOND GUARANTEE PROGRAM

The Community Development Financial Institutions (CDFI) Fund and the CDFI Bond Guarantee programs have had a growing impact in recent years on communities across the nation, especially those in lower-income and traditionally underserved areas. CDFIs provide financial products and services, including mortgage financing for homebuyers, finance to improve access to healthy food, and commercial loans and investments to small, start-up or expanding businesses. According to data from the U.S. Treasury, CDFI awardees reported that they provided $3.39 billion in financing to homeowners, businesses, and commercial and residential real estate developments, which included the construction of community facilities in communities that might not otherwise have these amenities. Democrats strongly encourage increasing the level of funding for these important programs to better serve lower-income and traditionally underserved areas.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats strongly support authorizing an additional $1.5 billion in funding for the successful State Small Business Credit Initiative (SSBCI), which Congress created as part of the Small Business Jobs Act of 2010. This Committee held a field hearing near Detroit in 2009, and learned about a successful state program helping small businesses grow and create jobs that SSBCI was modeled after. Under the Obama Administration, Treasury allocated $1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Through the end of 2015, Treasury reported that the initiative supported $8.4 billion in private loans or investments to more than 16,900 small businesses, and that small businesses created more than 64,000 jobs and helped retain over 126,500 jobs. In addition to authorizing a second round of funding for the program, Democrats will continue to emphasize the importance of ensuring that a significant portion of the SSBCI supported loans or investments are made to businesses in low- and moderate-income communities. In recognition of the essential role small businesses play in the American economy, Democrats are committed to authorizing funds that have a proven record of increasing American jobs and increasing economic growth.

NATIONAL FLOOD INSURANCE PROGRAM

Flooding causes the most lives lost and highest amount of property damage of all natural hazards in this country. Changing climate conditions are projected to further increase the frequency and severity of flooding in the future. The National Flood Insurance Program (NFIP), which is the principal provider of primary flood insurance, is set to expire on September 30, 2017. Democrats understand that the NFIP must be reformed to keep coverage affordable and available, keep flood maps up to date, and continue to keep our communities resilient in the face of increasing flood risks.

Several catastrophic storms have mired the NFIP in nearly $25 billion in debt. NFIP policyholders, many of whom may not have been participating in the program during these storms, are now responsible for generating the premium revenue necessary to pay back the debt, which threatens the affordability of premiums. Meanwhile, the NFIP has spent billions of dollars in interest payments alone. Democrats will push for Congress to take action to address this debt in order to enhance the affordability of NFIP premiums and preserve the long-term sustainability of this vital program.

Democrats also believe that Congress must build on the work of the Biggert-Waters Act, which established an ongoing effort to update flood maps. We realize that there have been longstanding concerns with the accuracy of the NFIP's flood maps and believe funding for mapping technology should be made a higher priority. Mitigation, which saves $4 for every $1 spent, should be encouraged for homeowners, renters, and businesses whenever it is a viable and cost-effective option. Finally, we believe Congress should consider ways to increase take-up rates both through the NFIP and the burgeoning private market.

COUNTERING TERRORISM AND ILLICIT FINANCING AND SAFEGUARDING OUR NATIONAL SECURITY

Democrats firmly believe that tracking and stemming the flow of funds that allow terrorist groups, rogue nations, and other illicit actors to perpetuate their malign activity is essential to safeguarding our national security. Accordingly, Democrats strongly support providing the necessary resources, authorities, regulatory tools, and enforcement mechanisms to ensure the Federal government is able to identify, deter, and disrupt the financial support networks of those who would threaten the this country.

To this end, Democrats believe that Treasury's Office of Terrorism and Financial Intelligence (TFI) plays a key role in curtailing illicit finance networks by working to develop and coordinate Treasury's various policy, enforcement, regulatory, and intelligence functions. In doing so, TFI oversees a number of critical bureaus and offices, including the Financial Crimes Enforcement Network (FinCEN), which plays a leading role in combatting money laundering and collecting, analyzing, and disseminating financial intelligence, and the Office of Foreign Assets Control (OFAC), which administers and enforces the our sanctions regime.

Democrats support expanding the resources available to FinCEN and believe that enhancing the oversight of its regulatory framework while safeguarding American's civil liberties is imperative. One of FinCEN's primary functions is to implement and enforce the Bank Secrecy Act (BSA), which is the country's primary anti-money laundering and counter-terrorism financing law. Of course, the success of the BSA also relies upon financial institutions adequately fulfilling their responsibility to establish effective anti-money laundering programs and report suspicious activity.

Unfortunately, a significant number of high-profile violations of the BSA in recent years suggest that the penalties for non-compliance are inadequate. In particular, Democrats remain concerned by the lack of individual accountability by senior-level executives for violations of the BSA. The absence of executive accountability is particularly galling when compared with the harsh sentences given to individual low-level, non-violent drug offenders. Moreover, while FinCEN has generally established robust anti-money laundering requirements, significant loopholes in FinCEN's regulations continue to exempt broad swaths of high-risk entities from maintaining even the most basic BSA program requirements. These loopholes, coupled with the failure to collect and maintain information on the beneficial owners of companies formed in this country, expose our financial system to significant risk.

In applying and enforcing anti-money laundering and counter-terrorist financing standards, FinCEN must also take steps, including by providing clear guidance, to ensure that legitimate actors, such as registered money service businesses, remain able to access our financial system. Indeed, money service businesses frequently provide critical remittance services that serve as lifelines to vulnerable populations across the globe. Additionally, where activity has been legalized at the state-level, but remains prohibited at the federal level, Democrats believe that FinCEN plays a vital role in clarifying financial institutions' BSA compliance expectations. Finally, Democrats see an important role for FinCEN in addressing the illicit financing risks posed by a range of emerging vulnerabilities, such as the challenges associated with cryptocurrencies.

Democrats also see an increasingly important role for OFAC's use of sanctions against countries, regimes, terrorists, drug traffickers, proliferators of weapons of mass destruction, and other threats to our national security. In particular, Democrats believe that the imposition of sanctions on Russia as a consequence for its active interference in the most recent American election on behalf of President Trump and unlawful annexation of Crimea is an essential tool to hold the Russian government accountable. Given President Trump's and his senior advisors' extensive ties with the Kremlin, as well as President Trump's eagerness to side with strongman Russian President Vladimir Putin against the American security apparatus, the American foreign policy establishment, and even the press, Democrats will remain extremely vigilant in ensuring that the existing sanctions on Russia are not weakened. Additionally, Iran provides another example of where OFAC's use of sanctions are playing an important role in countering the Iranian government's testing of ballistic missiles, support for terrorism and human rights abuses.

As we continue to confront the challenges posed by ISIS, Al Qaeda and their affiliates, the destabilizing regimes in Syria, North Korea, Sudan and Iran, and the range of other threats we can expect to face, Democrats will continue to emphasize the importance of multilateral engagement in tackling these challenges. Given that the security threats we face are often transnational, and because no nation can protect itself from these threats without cooperation from others, Democrats understand that our country should pursue cooperative, multilateral solutions.

Democrats will also be vigilant in ensuring that civil liberties are appropriately protected in the development and implementation of laws, regulations, and policies related to efforts to combat terrorism. Indeed, we reject methods for collecting and sharing information that infringe on an American's right to due process, and we strongly oppose arbitrary and unfair methods for combatting the illicit use of our financial system that impose a religious test, or target broad categories of individuals based on race, ethnicity, or national origin.

GLOBAL ECONOMIC STABILITY AND COOPERATION

Democrats are alarmed by the Majority's rejection of American leadership in the world's leading multilateral development and financial institutions. The United States has long provided the foundation for the global economic order. Even before World War II ended, political leaders from the 44 Allied countries met in 1944 in Bretton Woods, New Hampshire, to create the institutional framework for the post-World War II economic and monetary order. The Bretton Woods conference gave birth to the two multilateral financial institutions that have underpinned global cooperation and played a critical role in the international financial architecture in the succeeding 70 years-- the International Monetary Fund (IMF) and the World Bank.

Democrats believe that sustained international cooperation is the most promising path to ensure national security, prosperity and well-being, and we reject isolationist policies, which will hamper domestic and global economic growth.

Democrats believe that the United States should maintain a strong leadership position in the international financial institutions as a way to help advance our national security, our economic interests, and our values.

Democrats also believe that economic and global security is best served by incorporating the world's rising economic powers into the current rules-based multilateral institutions. Unfortunately, the last few years has seen a weakening of the commitment to multilateralism by the United States, which has led to widespread doubt about U.S. leadership on global economic governance. America's failure to meet our obligations to the multilateral development banks (MDBs), including arrears, as well as the failure by Congress to ratify the IMF quota reforms for more than five years, has been viewed as weakening of our commitment.

In response, a number of emerging economies, led by China, have begun to act independently, with initiatives viewed as a serious, coordinated effort to reshape the global financial architecture and challenge western dominance in the world economy. For example, last year, China officially launched the Asian Infrastructure Investment Bank (AIIB), which is a new multilateral development bank based in Beijing with fifty-seven founding member countries, including a number of close American allies. After Chinese President Xi Jinping warned of the perils of economic protectionism, an additional 25 African, European, and Latin American states sought AIIB membership, thereby boosting China's standing in the global economy at the expense of our own.

Democrats believe that American support for the international financial institutions should be a top priority in our efforts to respond effectively to the actions of a rising, more assertive China and a revisionist, belligerent Russia.

INTERNATIONAL MONETARY FUND (IMF)

For 70 years, the IMF has been the foremost international institution for safeguarding the stability of the international financial system. It has also played an indispensable role in protecting the American economy– and the prosperity of American workers, households, and businesses– from the destabilizing effects of crises abroad.

As the largest shareholder in the IMF and the only country with veto power over major IMF decisions, the United States has a great deal of influence in the institution's economic policy discussions at every level: from the IMF's oversight of China's economy to its advice for the European Central Bank.

IMF financing also helps advance important American foreign policy objectives. It has been used to encourage economic changes that promote political stability in nations such as Tunisia, and to strengthen pro-Western governments, such as the new one in Ukraine.

The IMF also actively encourages transparency and accountability in all of its member countries, and works with the G-20 to encourage policies that foster strong, sustainable, and balanced global growth.

THE MULTILATERAL DEVELOPMENT BANKS (MDBS)

Alongside the IMF, the multilateral development banks (MDBs), which include the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Fund for Agricultural Development, and North American Development Bank, are essential instruments to support broad-based and sustainable economic growth and job creation, promote our national security, and address key global challenges like environmental degradation, while fostering private sector development and entrepreneurship. The United States has often looked to the MDBs to meet strategic objectives in countries and regions at critical moments, and the degree to which the MDBs support U.S. interests depends upon the strength of our roles within these institutions.

EXPORT-IMPORT BANK

The EXIM is the official export credit agency of the United States. The agency is charged with supporting American jobs by providing U.S. exporters with the financing tools necessary to compete in foreign markets. Over its 83 year history, EXIM has been highly effective in opening up international markets to American exporters, which has helped create and preserve high-paying and high-skill jobs in

America's manufacturing and servicing sectors. EXIM also plays a key role in leveling the international playing field by offsetting the financing offered by foreign export credit agencies. EXIM is just one of more than 80 export credit agencies around the world, each working to ensure their home-country exporters have a fair shot at winning export sales. Without the EXIM, American businesses would be placed at a severe competitive disadvantage vis-à-vis their foreign competitors, who have access to generous export financing through their own export credit agencies.

EXIM operates on a self-sustaining financial basis, which means that it is able to cover its own administrative expenses entirely through fees it charges for its services. It also generates net profits that are sent each year to the Treasury. Over the course of the Obama's Administration, EXIM financed more than $240 billion in U.S. exports, supported more than 1.4 million American jobs, and remitted more than $3.8 billion in deficit-reducing receipts to the Treasury.

Despite this successful record, EXIM's ability to support the full range of exporters and American jobs was hobbled over the past two years. In July 2015, opposition by a vocal Republican minority in Congress prevented a vote on legislation to renew the agency's expiring charter, which forced EXIM to shut its doors for five months. Although Congress reauthorized it in December 2015 with overwhelming and bipartisan support, Senate Republican leadership has refused to confirm vacant board seats at EXIM, which results in denying the board the quorum it needs to support transactions over $10 million. As a result, 50 transactions valued at nearly $40 billion dollars, which would support an estimated 100,000 jobs, continue to languish in the approval pipeline.

This diminished capacity to support U.S. exports has pushed EXIM financing to a 40-year low, with the Bank authorizing only $5 billion in financing and supporting only 52,000 jobs in the last fiscal year. Democrats are deeply concerned that, without the ability to operate at full capacity, the Bank has remitted a diminished $284 million in deficit-reducing receipts to the Treasury, down from the $675 million generated in 2014, which was the last year it was fully operational.

Democrats reject the Majority's claim that the Bank misrepresents its true cost to the American taxpayer. The Bank follows the congressionally mandated accounting system established through the Federal Credit Reform Act. Moreover, it has been highly effective in managing taxpayer risk and has consistently maintained an extremely low default, which is currently at just 0.26 percent.

Going forward, Democrats remain committed to restoring the full functionality of EXIM and enhancing its ability to support U.S. workers. Democrats understand that failure to do so will undermine America's domestic manufacturing base, curtail our country's market share in key industries, such as aerospace and telecommunications, and harm thousands of small businesses that benefit from high-dollar EXIM financed transactions. In fact, if EXIM were abolished or weakened, it would adversely affect small- and medium-sized businesses just as much as large exporters, perhaps more so, given the distinct challenges and risks small businesses face when looking to export.

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