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THE QUARTERLY CARES ACT REPORT TO CONGRESS

HEARING

BEFORE THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING TESTIMONY FROM THE SECRETARY OF THE TREASURY AND THE CHAIRMAN OF THE FEDERAL RESERVE, AS REQUIRED UNDER TITLE IV OF THE CARES ACT

SEPTEMBER 24, 2020

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C O N T E N T S

THURSDAY, SEPTEMBER 24, 2020

WITNESSES

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

THE QUARTERLY CARES ACT REPORT TO CONGRESS

THURSDAY, SEPTEMBER 24, 2020

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., in room SD–106, Dirksen Senate Office Building, and by videoconference, Hon. Mike Crapo, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman CRAPO. This hearing will come to order.

Today's hearing is a hybrid format, and the hearing room has been configured to maintain the recommended 6-foot social distancing between Senators, witnesses, and other individuals in the room necessary to operate the hearing, which we have kept to a minimum.

For those joining remotely, a few videoconferencing reminders. Once you start speaking, there will be a slight delay before you are displayed on the screen. To minimize background noise, please use the "Mute" button until it is your turn to speak or ask questions. If there is a technology issue, we will move to the next Senator until it is resolved.

I again remind all Senators and our witnesses that the 5-minute clock still applies, and both of you who are remote should all have a box on your screen labeled "Clock" that will show how much time is remaining. We will try to give you a gavel reminder when your time is almost expired.

To simplify the speaking order process, Senator Brown and I have again agreed to go by seniority for this hearing.

With that, I welcome our witnesses to this hearing: the Honorable Steven T. Mnuchin, Secretary of the Department of Treasury; and the Honorable Jerome H. Powell, Chairman of the Board of Governors of the Federal Reserve System. Welcome to both of you.

Today's witnesses will provide testimony as required under Title IV of the CARES Act.

Congress has appropriated nearly $3 trillion to protect, strengthen, and support Americans, to fight the pandemic, and also to stabilize the infrastructure of our economic system.

Title IV of the CARES Act provided a $454 billion infusion into the Exchange Stabilization Fund to support the Federal Reserve's 13(3) emergency lending programs and facilities that facilitate liquidity in the marketplace and support eligible businesses, States, municipalities, and tribes.

So far, approximately $195 billion of funds under Title IV of the CARES Act have been leveraged to provide trillions of dollars in liquidity back into the markets, supporting credit flow and helping to stabilize the economy through the Primary Market and Secondary Market Corporate Credit Facilities, the Term Asset-Backed Securities Loan Facility, the Main Street Lending Program, and the Municipal Liquidity Facility.

That leaves around $250 billion in funding remaining under Title IV of the CARES Act.

There has been significant interest in exploring ways that the Main Street Lending Program, which offers financial support to smaller and medium-sized businesses and nonprofits, can be improved to expand its access and utilization.

Earlier this month, the Banking Committee held a hearing on the status of 13(3) facilities where witnesses made the case for and provided recommendations to change the terms of the Main Street Lending Program to broaden its access and use and to address commercial real estate markets.

In that hearing, Hal Scott, president of the Committee on Capital Markets Regulation, shared his view that, " . . . small and medium-sized businesses will need financial support for several years to recover from the impact of the COVID–19 pandemic."

He continued, "While our economy is improving, given the depth to which it fell, there is still a long way to go. Small business revenues continue to be well below prepandemic levels, and the recovery has stalled since July. A key part of this financial support should come from the Main Street Program authorized by the CARES Act."

In that same hearing, Jeff DeBoer, president and CEO of the Real Estate Roundtable, painted a bleak picture of the condition of the commercial real estate market.

He said, " . . . it is impacting their ability to meet their debt service obligations, which increases pressure on financial institutions, pension fund investors, and others."

And he said, " . . . it is pushing property values down to the detriment of local governments. It is causing much stress in pools for commercial mortgage-backed securities, and it is threatening to result in countless commercial property foreclosures. The situation must be addressed."

In July, I sent a letter to each of you, Secretary Mnuchin and Chairman Powell, urging you to expand access to the Main Street Lending Program, including by setting up an asset-based lending program and addressing the commercial real estate market.

In addition to expanding the Main Street Lending Program, there has been meaningful interest in opportunities to allocate remaining CARES Act funds.

In August, House Financial Services Committee Ranking Member McHenry and I sent a letter to each of you urging you to implement the remaining funds under Title IV to work to the fullest extent, including by expanding the Main Street Lending Program, to further support Main Street businesses, their workers, and the American economy.

The Federal Reserve's 13(3) facilities play a critical role in strengthening the economic recovery.

It is important to continually assess what areas of the economy and financial markets continue to be in need of support and identify options for providing additional needed support, whether through expanding existing facilities or creating new facilities.

In July, I sent a letter to the Federal banking regulators urging each of them to extend and expand critical CARES Act relief where there is discretion, including relief for the Community Bank Leverage Ratio to at least December 31, 2021; the Troubled Debt Restructurings to at least January 1, 2022; and the Current Expected Credit Losses, or CECL, to at least January 1, 2023.

Since that letter, I have heard additional concerns from both banks and credit unions.

Not only have banks and credit unions experienced a significant inflow of deposits during this pandemic, but Congress also has tasked them with supporting the economy, particularly through the Paycheck Protection Program.

Their role and these unique circumstances threaten to cause key regulatory thresholds to be breached and a ratcheting up of regulation that would otherwise not occur that could keep them on the sidelines.

The regulatory framework should account for these unique circumstances and enable banks and credit unions to continue supporting the recovery.

Title IV also contains robust oversight provisions.

Section 4026 is what brings us here today, and it also established the Congressional Oversight Commission, which has held two public hearings and issued four reports to date, and the Special Inspector General for Pandemic Recovery, who has, to date, issued one report and continues his important work.

During today's hearing, I look forward to hearing how the financial resources provided under the CARES Act have benefited the American people and economy; an update on the status of the 13(3) emergency facilities, including an assessment of the opportunities for and need to expand the Main Street Lending Program; steps the Fed and Treasury have taken and will continue to take to provide transparency into the loans, loan guarantees, and other investments under the CARES Act; opportunities to utilize any remaining funds of the CARES Act to provide financial support and additional liquidity to the economy; and opportunities to tailor the regulatory framework to account for the unique circumstances of the pandemic and role of the financial institutions, and whether congressional action is needed.

Although there have been positive economic signs in recent months, Americans are continuing to still struggle with and feel the effects of the COVID–19 pandemic and still need relief.

Unfortunately, Republicans' repeated efforts to deliver targeted relief in areas where we can agree has been rebuffed by the Democrats.

Negotiating toward a realistic package that can actually get passed and signed into law would best serve the American people during this difficult time.

I appreciate the work of both Secretary Mnuchin and Chairman Powell in response to this horrible pandemic to support financial markets, businesses, and the economy.

Thank you again to each of you for joining the Committee today. Senator Brown, are you with us?

OPENING STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. I am. Mr. Chairman, thank you. It is a pleasure to be here again. While I am disappointed this hearing was not held fully remote, I am glad to see masks in the hearing room. Chair Powell, I want to thank you for your leadership in calling for a national mask mandate—something no other Republican I am aware of has done. I know many of my colleagues, Republicans and Democrats, cringe when they see these Trump rallies, when they see people packed together, shouting, not wearing masks. We should be trying—elected officials from the President to the rest of us, should be trying to stop this virus, not spread it.

Today there are more people out of work than there were during the 2008 financial crisis. But you would not know it from the way President Trump and Secretary Mnuchin act, as if we are through the crisis and well on the road to recovery. That is what happens when you measure the health of the economy only through the stock market.

There continue to be about 1,000 deaths per day from the coronavirus. That does not show up in the corporate quarterly earnings reports, apparently. In 22 States, coronavirus cases are surging rather than receding, and scientists and public health experts predict it will only get worse as fall and winter begin.

Families are under unbearable stress. Most of my colleagues know that. Most of you have children and grandchildren, trying to either educate their kids at home, or worrying as schools open without sufficient plans to protect children and teachers and cafeteria workers and security guards and custodians. That does not even include our sons and daughters and the risk they face at colleges and universities.

But you would not know any of that if you only looked at corporate profit forecasts.

The President and this Administration continue to act like everything is business as usual—because, for them, it is.

The coronavirus is not really affecting them or their wealthy friends or their comfortable jobs. CEOs are not the people working the cash registers or cleaning hospital beds. They are not risking their lives every day to keep food on the table. Most CEOs do not live in the neighborhoods where black and minority-owned restaurants and businesses are shutting down.

Think for a moment, all of us should think for a moment, of the anxiety of an essential worker, the stress she faces. Think about coming home at night and worried you might have picked up the virus at work, and you might be exposing your children and your family.

Cleveland is always a pretty good barometer of where the country is heading.

Long before the Great Recession, our trade and tax policy essentially abandoned the industrial Midwest. Communities watched factory after factory close, with no plan to rebuild our local economies. Entire neighborhoods and entire towns hollowed out. My Zip code, 44105 in Cleveland, had the most foreclosures in the United

States at the beginning of 2007. By the next year, thousands of cities across the country were suffering; millions of families lost their homes. The story of our Zip code became the story of the whole country, because the Government took care of Wall Street, it took care of the biggest banks; it failed to take care of everybody else.

Just 10 years later, we have yet another crisis where Cleveland is a harbinger of what is happening across the country. *ProPublica* illustrated it pretty well recently. They covered a big company called "TransDigm" that has offices in downtown Cleveland. TransDigm has gotten plenty of help from the taxpayers to get through this pandemic. The company is borrowing money at record low interest rates; it is collecting yet more tax breaks, while at the same time it is laying off its workers. Three thousand workers in Cleveland are going to lose their jobs during the pandemic, while the company's executives keep making money. The CEO of TransDigm, the chairman, made at last count $60 million a year.

And this is happening all around the country. Government help is readily available for big corporations, while small businesses struggle to survive and workers are on their own.

Millions have lost their jobs. At the beginning of August, 600,000 workers in my State, millions across the country lost their $600 a week unemployment insurance payment because this President and my Republican colleagues allowed it to expire. That $600 a week kept more than 12 million people out of poverty.

What are these families to do? How are they going to make rent or their mortgage payment on October 1st? You cannot tell them, "Oh, just go out and get a job." There are no jobs because the President has not controlled the virus.

Millions of people are stuck inside their homes and are separated from loved ones to stay safe, trying to avoid contracting this disease. Black and brown communities, including Native American tribes, have been hit the hardest by the pandemic, but still do not have equal access to the Federal Reserve lending facilities or PPP loans.

We know that it would not have been this bad if back in February and March the President of the United States had done his job. We all know that, Republicans and Democrats alike. We were not shocked by the quotations of the President and the discussion of the President when he talked to the *Washington Post* reporter. But imagine if the President, instead of lying to us, had treated the American people like adults and leveled with us.

Imagine if he had worn a mask, the President had worn a mask, and practiced social distancing. Imagine if he had had a real plan to mobilize all of America's vast ingenuity to scale up production of tests and contact tracing and personal protective equipment.

More small businesses would be open right now. Our children would be back in school safely, or almost all of them. Workers would still have their jobs, and tens and tens and tens of thousands of parents and grandparents would still be alive. We know that.

And now Americans are watching the stock market surge and their President and his economic advisers saying the economy is great. They are wondering what great economy they are talking about.

The Ohioans I talk to, and anyone who actually understands economics, know workers are the foundation of our economy. They know all too well what happens when you let Wall Street run things and ignore Main Streets across the country.

Ohioans have watched for decades as factories closed, investment dried up, and storefronts were boarded over in communities that once were thriving. They know what it is like to wake up one day and realize the only jobs to be had are at a big-box chain for rock-bottom wages, with no health care, no paid sick days, and no power over your schedule.

Those Ohio workers know what it is like to be treated as expendable by large corporations and, too often, by this Government.

And remember, as Ohio goes, so goes the Nation. Americans are waking up and realizing they have a President who thinks much of the country is expendable.

I know not everyone in Government feels that way. The Chairman of the Fed has said over and over that we need more actions from Congress—more money to unemployed workers, more money for schools, more money to help families with their rent or mortgage. In short, we need the Government to actually lead and use our country's vast resources to avoid a catastrophic recession.

In our last hearing in this Committee, all of the expert witnesses, the one chosen by the minority and the two chosen by the majority, they all agreed on one thing: people need their Government to actually step in to support our families, something the Senate majority has failed to do.

It seems the only people who are not getting this message that we need Government to step up in a big way for unemployed workers, for emergency rental assistance, reopen our schools safely, for local governments, the Postal Service, the elections. It seems the only people who are not getting that message are President Trump, Secretary Mnuchin—sitting in front of us today—and Republican Senators scattered around the room.

It is not as if Republicans are not capable of taking action. Mitch McConnell moves heaven and earth to do huge favors for big corporations.

Look at the tax giveaway. We spent $2 trillion dollars making the richest people in our country richer. The President promised he would grow the economy; he promised it would pay for itself. Not even close. He promised it would mean workers got a $4,000 raise. None of that happened.

It was incredibly unpopular, but McConnell got all of his Republican Senators, as he always does, to vote for it. Trump wanted it, then McConnell wants it, then the entire Senate Republican caucus wants it.

Senator McConnell has made sure Trump's corporate judges are approved. He has bent over backwards to stack the Supreme Court that will gut the Affordable Care Act, rip away protections for preexisting conditions—almost half the people in my State have preexisting conditions—and always side with corporations over workers.

Now we know he is even willing to reverse his own position to confirm yet another Supreme Court Justice.

When it comes to doing the bidding of Wall Street and the wealthy, Mitch McConnell can whip the Senate into action. He thinks everything else can wait.

Most Americans cannot afford, Mr. Chairman, to wait any longer. We are up against a global health crisis that will spiral into a global economic crisis unless we act now. We face a challenge that requires this Government to be at its best, to work together to do big things.

We need an economic rescue package for everyone, help to keep families in their homes, and to protect workers at their jobs, help for seniors and veterans and students who are at risk, give them help. We need it fast.

Democrats are ready to meet this moment. House Democrats passed the HEROES Act 5 months ago. President Trump and Senate Republicans move heaven and earth to help Wall Street and their wealthy friends. When will they be ready to do the same for everyone else?

Chairman CRAPO. We will now move to the testimony of our witnesses. Secretary Mnuchin, you may go first. Please proceed.

Secretary MNUCHIN. Can you hear me, Chairman Crapo?

Chairman CRAPO. Yes, it is on now.

STATEMENT OF STEVEN T. MNUCHIN, SECRETARY, DEPARTMENT OF THE TREASURY

Secretary MNUCHIN. Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am pleased to join you today to discuss the critical steps the Department of Treasury and the Federal Reserve have taken over the last 6 months to provide economic relief to the American people, as well as to provide liquidity to the credit markets, business, and households. We are fully committed to getting every American back to work as quickly as possible.

America is in the midst of the fastest economic recovery from any crisis in U.S. history. The August jobs report showed that the economy has gained back 10.6 million jobs—nearly 50 percent of the jobs lost due to the pandemic. The unemployment rate reduced to 8.4 percent, a notable achievement considering some people had expected as high as 25 percent. Thanks to the programs provided by the CARES Act, we never got close to that figure.

I believe we will see strong third quarter growth, fueled by strong retail sales, housing starts, existing home sales, manufacturing growth, and increased business activity. The Blue Chip survey projection for third quarter GDP is 24 percent.

The recovery has been strong because the Administration and Congress worked together on a bipartisan basis to deliver the largest economic relief package in American history. The Federal Reserve has been instrumental to the recovery by implementing 13 unique 13(3) lending facilities.

Economic reopenings, combined with the CARES Act, have enabled a remarkable economic rebound, but some industries particularly hard hit by the pandemic do require more relief.

The President and I remain committed to providing support for American workers and business. We continue to work with Congress on a bipartisan basis to pass a Phase IV relief package. I believe a targeted package is still needed, and the Administration is ready to reach a bipartisan agreement.

I would also encourage the Senate to pass promptly the bipartisan continuing resolution that was passed in the House.

Treasury has been working hard to implement the CARES Act with transparency and accountability. We released a significant amount of information to the public on our website, Treasury.gov, and USAspending.gov. We have released more information than is required by the statute. The Federal Reserve has also posted information on its website regarding the lending facilities.

We have provided regular updates to Congress, this marking my seventh appearance before Congress for CARES Act hearings. Additionally, we are cooperating with various oversight bodies, including the Inspector General, the Treasury Inspector General, the Treasury Inspector General for Tax, the new Congressional Oversight Commission, and the GAO.

We appreciate Congress' interest in these issues and have devoted significant resources to inquiries. We remain committed to working with you to accommodate Congress' legislative needs and the whole-of-Government approach to defeat COVID–19.

I would like to thank the Members of this Committee for working with us to provide critical economic support to the American people. Thank you.

Chairman CRAPO. Thank you, Mr. Secretary.

Chairman Powell.

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

Mr. POWELL. Thank you. Chairman Crapo, Ranking Member Brown, and other Members of the Committee, thank you for the opportunity to update you on our ongoing measures to address the hardship wrought by the pandemic. The Federal Reserve, along with others across Government, is working to alleviate the economic fallout. We remain committed to using our tools to do what we can, for as long as it takes, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

Economic activity has picked up from its depressed second quarter level, when much of the economy was shut down to stem the spread of the virus. Many economic indicators show marked improvement. Household spending looks to have recovered about three-quarters of its earlier decline, likely owing in part to Federal stimulus payments and expanded unemployment benefits. The housing sector has rebounded, and business fixed investment shows signs of improvement. In the labor market, roughly half of the 22 million payroll jobs that were lost in March and April have been regained as people return to work. Both employment and overall economic activity, however, remain well below their prepandemic levels, and the path ahead continues to be highly uncertain. The downturn has not fallen equally on all Americans; those least able to bear the burden have been the most affected. The rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.

A full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities. The path forward will depend on keeping the virus under control and on policy actions taken at all levels of Government.

Since mid-March, we have taken forceful action, implementing a policy of near-zero rates, increasing asset holdings, and standing up 13 emergency lending facilities. We took these measures to support broader financial conditions and more directly support the flow of credit to households, businesses of all sizes, and State and local governments. Our actions, taken together, have helped unlock more than $1 trillion of funding, which, in turn, has helped keep organizations from shuttering, putting them in a better position to keep workers on and to hire them back as the economy continues to recover.

The Main Street Lending Program has been of significant interest to this Committee and to the public. Many of the businesses affected by the pandemic are smaller firms that rely on banks for loans rather than public credit markets. Main Street is designed to facilitate the flow of credit to small and medium-sized businesses. In establishing the facility, we conducted extensive outreach, soliciting public comment and holding in-depth discussions with lenders and borrowers of all sizes. In response to feedback, we have continued to make adjustments to Main Street to provide greater support to small and medium-sized businesses and to nonprofit organizations such as educational institutions, hospitals, and social service organizations.

Nearly 600 banks, representing well more than half of the assets in the banking system, have either completed registration or are in the process of doing so. About 230 loans totaling roughly $2 billion are either funded or in the pipeline. Main Street is intended for businesses that were on a sound footing prepandemic and that have good longer-term prospects but have encountered temporary cash-flow problems due to the pandemic and are not able to get credit on reasonable terms as a result. Main Street loans may not be the right solution for some businesses, in part because the CARES Act states clearly that these loans cannot be forgiven.

Our credit facilities have improved lending conditions broadly, including for potential Main Street borrowers. The evidence suggests that most creditworthy small and medium-sized businesses can currently get loans from private sector financial institutions.

Many of our programs rely on emergency lending powers that require the support of the Treasury Department and are available only in unusual circumstances. By serving as a backstop to key credit markets, our programs have significantly increased the extension of credit from private lenders. However, the facilities are only that—a backstop. They are designed to support the functioning of private markets, not to replace them. Moreover, these are lending, not spending powers. Many borrowers will benefit from these programs, as will the overall economy, but for others, a loan that could be difficult to repay might not be the answer. In these cases, direct fiscal support may be needed.

Our economy will recover fully from this difficult period. We remain committed to using our full range of tools to support the economy for as long as is needed.

Thank you.

Chairman CRAPO. Thank you, Chairman Powell.

For my first question, I would like you to keep your answers to this as brief as you possibly can because I want to get on to a few others. But I want to talk about the need for additional relief in terms of further coronavirus relief legislation.

I think both of you have said that what we have done so far has been very helpful—it is having the results that you have talked about—but that some more is needed, and I believe both of you have said that we need to in this next legislation be more targeted. Is that correct?

Secretary MNUCHIN. That is correct.

Chairman CRAPO. Chairman Powell, correct?

Mr. POWELL. Yes. I would, of course, defer to the Secretary and to you on the actual contents of the legislation.

Chairman CRAPO. Sure, and I understand that.

There is clearly a big gap between the House and the Senate negotiations and the positions on the next COVID–19 relief. That being said, there is also a very significant amount of agreement in specific areas where I believe, if we were to pick up those specific areas where we do have relief and pass those, that we could have a significant positive impact. And I would just like to ask each of you to comment on whether you believe—and I realize you have a hard time, Mr. Chairman, talking about what Congress should do. But would it be beneficial to our relief efforts if we were able to pass at least the agreements that we have already reached, if we could take those targeted areas where we do have agreement in Congress and move forward on them?

Secretary MNUCHIN. I believe there is significant bipartisan support for legislation that supports kids and jobs, particularly for extending the PPP to those hard-hit industries that need a second payment. And, yes, I think that would be very meaningful for the economy broadly and for those most impacted as a result of COVID.

Chairman CRAPO. All right. Thank you.

Do you want to say anything, Mr. Chairman, on that?

Mr. POWELL. I just would briefly add that I do think it is likely that additional fiscal support will be needed, and I think these are great areas to be looking at.

Chairman CRAPO. And in terms of targeting how we approach this, on July 31st I sent both of you a letter regarding expanding the Main Street Lending Facility to allow for asset-based lending and for a commercial real estate facility. Yesterday I met with many of the restaurant owners from Idaho, and there is a bill, as you are probably aware, to try to establish targeted legislation to deal with our restaurant industry.

You have both responded to me that there is some difficulty in putting together the kind of relief I requested for asset-based lending and for the commercial real estate markets. Could both of you just expand quickly—we have got about a minute left for each of you on my time—as to what the difficulties are there and how we may proceed to get some targeted relief in those areas?

Secretary MNUCHIN. Yes, Mr. Chairman, I think as it relates to commercial real estate, the Chair and I have spent a lot of time on this, and we are very sympathetic to the issue. There are structural issues because in many cases these loans are in commercial mortgage-backed securities that have prepayment penalties and do not allow for additional funding behind them. But we continue to look at solutions.

And I would just say as it relates to the restaurant and broader hospitality industries, we think those industries do not need more debt. What they need is economic relief because they are shut down as a result of COVID.

Chairman CRAPO. So that would be more of a forgivable loan or grant program?

Secretary MNUCHIN. It would be more PPP money, again, targeted, in this case very targeted to businesses that have decreased revenues, would be very important to saving jobs.

Chairman CRAPO. And would you both agree that the PPP program needs to be made even more flexible?

Secretary MNUCHIN. I think the good news is there is strong bipartisan support around both flexibility on PPP but also additional funds that are highly targeted.

Chairman CRAPO. All right. Chairman Powell, do you want to add anything to that?

Mr. POWELL. Not really, no.

Chairman CRAPO. All right. Then let me just conclude by saying I agree with the need to move forward. I think the comments you have made highlight the fact that there is—you are the one who is negotiating in most of the arenas here, Secretary Mnuchin. But you were probably surprised to hear the attack today that you are not negotiating, that we are not negotiating. But the fact is there is broad bipartisan support for many major efforts that need still to be taken, and I believe that your testimony highlights the fact that that is something we ought to be able to get going forward on. We ought to do what we can reach agreement on and get it done soon.

With that, Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Secretary Mnuchin, President Trump said that, with regard to the coronavirus, "I think we did a great job." Do you agree with that? Do you think the President has done a great job on the coronavirus?

Secretary MNUCHIN. I do. I think we have made tremendous progress on testing. We just committed to a hundred——

Senator BROWN. Mr. Secretary, I am sorry to cut you off. I hope that you and the President do not dislocate your shoulders by patting yourself on the back saying, "Good job." You know, we are 4 percent of the world's population; we are 22 percent of the world's deaths. You bragged about the economy growing so far—your words. Our unemployment rate is significantly higher than Germany's, significantly higher than France's, twice what Taiwan's is, almost three times what South Korea and Japan's is, much higher than Australia, twice what Britain's rate is, twice what New Zealand's rate is. I mean, I know you think the economy is doing well if you are talking to your wealthy friends on Wall Street, but things are pretty bad for most working Americans and are going to get worse unless you come up with a real package. So let me talk about the package that you just discussed.

Senate Republicans, as you know, offered a paltry, some call it "emaciated," piecemeal coronavirus bill. You and the President said you wanted a bigger number than the $500 billion which Republicans offered. So if you want a bigger deal, they came up with something so small, which Republicans are opposed to going higher, Mr. Secretary?

Secretary MNUCHIN. Well, let me just clarify. I am not bragging about the economy. What I have said is we have made a major recovery from a shutdown, but we have more work to do, and that is why the President and I want more support. I have probably spoken to Speaker Pelosi——

Senator BROWN. You said it was the fastest economic growth we have seen.

Secretary MNUCHIN. I have probably spoken to Speaker Pelosi 15 or 20 times in the last few days on the CR, and we have agreed to continue to have discussions about the CARES Act. And I would encourage—like we had bipartisan support in this Senate, 96–0 and 100–0. We are very proud, and I specifically worked with you on many pieces of the legislation.

Senator BROWN. But I want to go back. The Senate offered a paltry $500 billion plan. Economists all over the country wanted three and four and five times that amount. You and the President said you want something larger. The President of the United States typically—and sorry for the cliche—when he says, "Jump," Mitch McConnell and Senate Republicans usually say, "How high?" But the President of the United States wants something bigger. You have said you want something bigger. So what is the hold-up? You have always been really good—look at the tax cut. A trillion and a half—way more than a $1 trillion tax cut, and 70 percent of it went to the richest people in the country. That is what you wanted. That is what your Cabinet wanted. That is what the President wanted. You got all the Senate Republicans to go along with that even though it blew a hole in the Federal budget. You knew all that. So why can't you get Senate Republicans to go along on a bigger number than the $500 billion package? What gives here, Mr. Secretary?

Secretary MNUCHIN. Again, I would just emphasize—I think you know this, but this requires 60 votes in the Senate, and I would encourage the Democrats in the Senate to work with us. I think there are areas of support. Let us pass things that we agree on quickly, and we can always come back and do more. So it is less of the issue of what the absolute number is, and I am sure you and I agree on there are areas that need to be passed.

Senator BROWN. Mr. Secretary, I know you will say pass something minimalist that mostly affects Wall Street and does not much affect workers, and then we will come back. But considering Senator McConnell, for 4 months after the House passed a bill that would matter for schools, for local governments, for unemployed workers, for the Postal Service, for people who might be evicted, Senator McConnell said there is no sense of urgency, and all of his spineless Republican colleagues went along with it. You know that. And you went along with it. So let me ask it a different way.

Millions of people lost their jobs; another 800,000 workers filed for unemployment. The $600 unemployment insurance came every week and kept literally, studies show, 12 million people out of poverty, that $600 a week. That evaporated in early August. You know that. It evaporated because the Senate Republicans refused to act. The House had done it. The Senate Republicans refused to act. Workers obviously cannot get a loan or grant through any of the facilities, and I appreciate the work that the Chair of the Federal Reserve has done. But those people that lost their $600 that could face foreclosure, what do you suggest they do? What do you suggest those people who lost their $600 do if they do not have the money they need to buy groceries this week or with October 1 coming they cannot pay their mortgage or their rent? What are they to do, Mr. Secretary?

Secretary MNUCHIN. Well, I think as you know, because that expired the President was forced to move forward with Executive action, so we are still providing those people. And, again, I would encourage both——

Senator BROWN. Well, you are providing——

Secretary MNUCHIN. ——the Democrats and the Republicans to sit down together. There is an agreement on extended unemployment.

Senator BROWN. Mr. Secretary, I am sorry my time has expired. The President was not forced—the President could have gotten his Majority Leader, who always does his bidding, and the Republican caucus to go along with the Democrats to keep the $600 coming. Do not act like the President was forced to do something. You simply did not step up for these workers. Six hundred dollars a week, 600,000 people in my State lost their unemployment insurance, and essentially you and Senator McConnell and the President of the United States are simply saying to those 600,000 Ohioans, "Sorry, you are on your own."

Secretary MNUCHIN. I think that is just a gross misstatement and exaggeration. And, again, if the Democrats are willing to sit down, I am willing to sit down anytime for bipartisan legislation in the Senate. Let us pass something quickly.

Chairman CRAPO. And I would just add——

Senator BROWN. You could get 47 Democratic votes for $600 a week this afternoon if you are willing to do it for every one of those workers. We all know what that means in our States. We would all vote for it. Bring it forward.

Chairman CRAPO. And before we go to Senator Shelby, I will just add, as the Secretary was saying, this is one of those areas I was talking about in my questions. We have the ability to move forward on this if we have a willingness to move forward on pieces of this plan that we have agreement on.

Senator Shelby.

Senator SHELBY. Thank you, Mr. Chairman. First of all, I believe I can change hopefully the tone and the substance of where we are today.

Mr. Secretary and Chairman Powell, I want to commend you for what you have done, the leadership you have done under difficult, difficult circumstances and what you want to do and your candor with this Committee about a lot of things.

Mr. Secretary, my first observation is you have talked about this, and that is the economy. We are all interested in it. We have seen the unemployment drop and the unemployment go up. In my State of Alabama, for example, we were in double digits, and now we are at about 5 percent. We would like to go to about 3 or 4 percent. We know it takes awhile to do this. It takes years sometimes. But we have made a lot of recovery thanks to a lot of the leadership that you two working together with the financial situation that we face.

Chairman Powell, you not only, you know, run the monetary system, you are the regulator of our largest banks. Tell us here today—I asked you this I believe in February here. What is the basic condition of our banking system from your perspective? And how does this change in contrast with 2008?

Mr. POWELL. I would say it is a completely different and much better situation than we faced in 2008. So as you know, we spent a decade working on strengthening capital requirements, liquidity requirements, better ability to understand and manage the risks that institutions are running. And I think you see the results of that now. So our banks so far have really been, you know, a source of strength. They have been able to absorb deposits——

Senator SHELBY. Considering all the problems that we are facing right now, they have shown resilience, have they not?

Mr. POWELL. They have, they have. Now, of course, it is early days.

Senator SHELBY. Yes, I know.

Mr. POWELL. We cannot claim victory, but, yes, so far they have been a source of strength.

Senator SHELBY. You have talked about different views from the Fed as far as deflation, inflation and so forth and basically said we need a little inflation, and we do, when we are trying to deal a recovery. What is your outlook on that? Because we are dealing with price stability, we are dealing with the job market, everything that goes with it.

Mr. POWELL. Of course, for many years the problem was too high inflation. I think we can both remember that very well, those days, and it was very important for the Fed to get high inflation under control. We did.

Today's challenge is a little bit different. There are disinflationary pressures widely around the world, and you see in Europe and in Japan, for example, extremely low interest rates, very low inflation, and the central bank, because rates are so low and inflation is so low, the central bank really does not have as much fire power as it would like to respond. So we just want inflation to be 2 percent on average, not much higher. Just 2 percent on average, that is what we want, and that will give us the ability to have significant ability to cut rates when the economy turns down.

Senator SHELBY. Mr. Secretary, we have made great strides. You have talked about it. I do not think you were bragging. You were just stating what is happening here, which we all know. The data is there, and you have to play with it and face it, and you are doing a good job there.

How do we move to the next step? Because I believe we are on the threshold maybe of a robust and sustained economic recovery that maybe we have not seen. People are saving money. They are staying home. The retail sales are down, but people ultimately are going to get out and buy and push this economy, I think.

What is your belief on all that?

Secretary MNUCHIN. I think the progress that we are going to make over the next few months on testing and vaccines is going to create tremendous encouragement for people to feel safe.

Senator SHELBY. Confidence. Confidence.

Secretary MNUCHIN. Confidence. By the way, I also want to just personally thank you for your work on the CCR. You have been instrumental——

Senator SHELBY. We worked with you. We want to keep the Government going at whatever cost, and I think it is important. You do, too.

Secretary MNUCHIN. Thank you. And, again, I would encourage more targeted relief for businesses, particularly small businesses that through no fault of their own have been shut down or have Government restrictions or State restrictions because of COVID. And I think that we should act quickly because they need the support now. They do not need the support next year.

Senator SHELBY. Thank you. Thank you both for your service.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator.

Senator Reed.

Senator REED. Thank you, Mr. Chairman. And welcome, Mr. Secretary, and welcome, Chairman Powell. Thank you for your presence here today.

Chairman Powell, you have indicated that we cannot succeed economically until we defeat the disease, and you have stressed the need for social distancing, wearing masks, et cetera. Could you elaborate on the economic effects of wearing masks and doing things that are public health?

Mr. POWELL. Yes, I would be glad to. So everyone, I think unanimously, wants to reopen the economy and get back to full employment as quickly as possible, but doing that is going to go hand in hand with doing things like wearing masks and keeping social distancing and that sort of thing because that is what will help keep the spread of the disease in check, and that is what will enable more and more parts of the economy to reopen. And I am thinking particularly of parts of the economy where there is close personal contact.

So it is very important. In fact, doing those things is very much aligned with a fast reopening, as far as is sustainable.

Senator REED. I find it interesting that your comments are almost identical to the head of the CDC, the Centers for Disease Control, and yet they are not being accorded any weight at all by the President. He effectively is rejecting both medical advice and economic advice, and I think that is a phenomenon that is continuing to see us ineffective in dealing with the disease. I hope it changes.

You also indicated that there are downside risks, particularly outside of Wall Street on Main Street, situations where small businesses and their customers, mom-and-pop landlords, State and local governments. Can you elaborate on the consequences of continuing to fail to provide real support for these entities through a stimulus package?

Mr. POWELL. Yes. So let me say that I think the CARES Act provided great support and should get a lot of the credit for the recovery we have so far, which has been faster and stronger than most forecasters anticipated, certainly faster and stronger than I anticipated. And so the risk going forward is that people now are spending because they have got money in the bank, even though they are unemployed. They may have saved part of the checks that they got or the unemployment insurance. The risk is that they will go through that money ultimately and have to cut back on spending and maybe lose their home or lose their lease. And so that is the downside risk of no further action. We do not see much of that yet, but it could well be out there in the not-too-distant future.

Senator REED. Well, with respect to rentals and mortgages, we know there is a tsunami brewing because through Federal and local legislation, there has been a ban on eviction and a ban on foreclosures, but that ban will end one day, and it will come unless we move in dramatically now and provide resources to help.

One of the key actors in this whole process is State and local governments, and in the CARES package, we provided resources for them. I think they could be used more liberally. I think the Secretary could by rule expand access and flexibility, indeed including taking care of lost revenue, and I hope he can do that.

But the facilities that the Federal Reserve has used are sort of stopgap measures, and they have not really worked out very well from the feedback I am getting on the ground. The Municipal Facilities, for example, I do not think recognize the fact that most States require legislative approval of a bond issue and, indeed, municipalities have to go to their voters to get approval. That is very difficult. With respect to the nonprofit functions, asking for significant revenue versus other aspects, it makes it difficult.

Can you comment on these facilities? They seem almost destined not to work. We need direct grants to the States and localities. Chairman Powell.

Mr. POWELL. These loans cannot replace direct grants at all. They are really there to provide liquidity and, of course, State and local governments are generally not allowed to borrow to fund deficits.

So what has happened is since we announced our facility, borrowing among State and local governments has been at record levels, and the rates that they have been borrowing at have been at record low levels, and that goes right across the yield curve and right across the rating spectrum.

So I would say that the municipal finance market is now working pretty well and has accomplished what we can accomplish as a liquidity provider. We cannot do transfers and, of course, that is why our facility is structured the way it is.

Senator REED. Just a final point. It seems that you are acquiring sort of tests of their assets and the liquidity, which if they had those assets and liquidity, they would not be borrowing from you. So I think, again, this is not the right approach, and there is apparently a lot of money involved here, but it is not going to get to

States and local governments. As you just said, they need the grants.

Thank you.

Mr. POWELL. If I can just say, in the Municipal Liquidity Facility, we go by the ratings, not by any particular financial requirements. We have got a transparent set of requirements, and that is what dictates access.

Chairman CRAPO. Thank you.

Senator Toomey.

Senator TOOMEY. Thanks very much, Mr. Chairman, and Mr. Secretary and Mr. Chairman, thanks for joining us.

Just as a quick follow-up, I think it is important to keep some context in mind when we talk about direct grants to State and local governments. Moody's Analytics estimated that the grand total of lost revenue and additional expenses incurred by States and municipalities is going to end up somewhere between $250 billion and $600 billion, the latter of which is only likely to occur if there is a very severe, further outbreak of the coronavirus this fall.

We sent $500 billion to State and local governments with the last bill, probably, quite possibly already covering the full amount of the lost revenue and added expenses. Why we would be talking about sending still more at this point is not clear to me.

But I want to return our focus to the 13(3) facilities themselves. I hear a lot of criticism about these facilities that seems to reflect the view that if the facilities have not been drawn down to a great degree, then, therefore, that is evidence that they have failed. And I really think we need to remember what the purpose was in the first place. The whole purpose behind setting up these facilities and making them available was to allow private markets to function again.

Back in March, we had frozen capital markets. We had inability to access credit. We had the risk of a very frightening and very, very damaging catastrophe because credit was not flowing, was not able to flow. And what these programs were meant to do, in my view, is to get the private markets functioning again. They were not meant to replace the private market. They were not meant to systematically bail out companies or bail out companies at all. They were not meant to be a substitute for fiscal policy. They were not meant to be subsidies for business and municipality. They were meant to stabilize markets and make sure that creditworthy borrowers, be they corporate of municipal, would be able to access credit.

And when I look at what has happened since then, certainly whether you are looking at macroeconomic data, which, as the Treasury Secretary pointed out and the Chairman, I think, also, has come back faster and more robustly than most of us thought it would. But even more importantly, when I look at the private capital markets, they are functioning. In fact, they are functioning at record levels—record levels of volume of issuance both in the corporate market and in the municipal, nearly record low interest rates. And so I think the rational conclusion to come to here is this has been remarkably successful. It did exactly what we had hoped.

Now, look, there are some sectors, especially some narrow categories, where we have still got some problems. Asset-backed lending we have talked about. But I would like to ask the Treasury Secretary and the Chairman of the Fed both to just comment, if you would, on the availability of credit for creditworthy borrowers. What is it like? What are the capital markets like? What are the lending markets like? Are creditworthy borrowers in America able to access credit as a general matter?

Secretary MNUCHIN. Well, I would agree with you, exactly what you said, and, again, I would just remind people the Chair and I executed the first two facilities even before the CARES Act was passed when the markets were literally shut down. These are emergency facilities. They are not intended to be subsidies. And the best success is us not having to use them. So in many cases, the mere announcement and commitments unlocked the markets. As I have said in the past, companies like Boeing were able to borrow $25 billion in the private markets and not have to come to the Government. Many of the large airlines turned down the loans that we were offering them for the same reason.

So I think they have been enormously successful, and in the areas where they have not worked, it is primarily entities that really need subsidies, and it is not just a lack of financing.

Mr. POWELL. I would agree with all of that. We have not made a single loan to a corporate directly, and yet something like $1 trillion in financing has happened. So, clearly, for corporates, the financial market is working. But the same is also true—I think it is $250 billion in issuance among the municipals, including some of the ones that accessed our facility have also been able to access the public market. So public markets are out there, and they are working, and the pricing is pretty good. So I do think those two—the market-based facilities and the earlier ones that we did pre-CARES Act have all done their jobs pretty well.

Senator TOOMEY. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Toomey. I think that is a very important clarification, and it is appreciated.

Senator Menendez.

[No response.]

Chairman CRAPO. If Senator Menendez is not available, Senator Tester.

Senator TESTER. Thank you Mr. Chairman, and I want to thank Secretary Mnuchin and Chairman Powell for being here today.

This question is for you, Secretary Mnuchin. The Chairman referred to this hearing a couple of weeks ago when we heard from three witnesses that had varying views of what needed to be done to move forward, but they were all in agreement that what is happening now is insufficient. The $500 billion Treasury slush fund is not making it to Main Street businesses, as has already been pointed out. The workers, the families, those are the folks that need the most assistance right now. PPP is long gone. Many of the small businesses and their employees continue to struggle. There has been help for airlines, which I agree with. But what about the restaurants, the gyms, the venues, the breweries, distilleries, the seasonal businesses, and others who are bearing the brunt of this crisis? The health and economic crisis is still there. These folks still need our help. And I see a lot of big names when I look at the disclosures, and those businesses may need support. But the only

Montana lenders that have been able to utilize the facilities are for PPP, and no—I repeat no—Montana businesses have benefited from the program.

So my question to you, Secretary Mnuchin, is: What are you doing to help the real Main Street businesses that are in distress?

Secretary MNUCHIN. Well, let me just first say if this was a Treasury slush fund that I could use however I want, I would reallocate it to help those businesses immediately. But, unfortunately, I need congressional authority. I have encouraged Congress that we would be willing to give back $200 billion of unspent money to be reappropriated. There is also $130 billion of unspent money in the PPP. So I would encourage that we work together on a bipartisan basis to specifically help the types of small businesses that you are referring to.

Senator TESTER. Have you asked for congressional authority to move that money to Main Street businesses?

Secretary MNUCHIN. I have asked for congressional authority to reallocate that. That is in the most recent proposed legislation. And I have also repeatedly asked for the PPP to be reauthorized so we could use the $130 billion that is sitting there. That will help Main Street businesses.

Senator TESTER. Once again, and I say this for the Senators that are on this call, look, we had a proposal by Senator McConnell here a week ago that had poison pills in it to privatize education, which is what DeVos has wanted for a long time, and to impediments on our legal system. My God, why this cannot be brought to the floor for the congressional authority at a minimum makes no sense to me. And I will tell you Democrats are not holding that up.

Chairman Powell, I have been told that the reason the stock market looks so good is because the Fed is buying a lot of bad debt. Could you enlighten me on what kind of bad debt you are buying and how much money the Fed has put out to buy bad debt?

Mr. POWELL. Well, that must be a reference to the Secondary Market Corporate Credit Fund, which I think has bought—it is in the range of $10 billion in total. We have bought no debt from any large companies in the Primary Corporate Credit Fund, which was the main facility. And of that $10 billion that we bought in the secondary market, almost all of that will be investment grade. So I think we have bought very, very little noninvestment grade debt. We have bought some, and we bought it in the form of ETFs as well as in regular bonds, but in terms of the broader financial markets, it would be a drop in the ocean.

Senator TESTER. So you do not agree with that statement, that the stock market is actually performing as well as it is?

Mr. POWELL. I do not agree with the premise that we have bought a lot of so-called bad debt. You know, I do not want to comment on the level of the stock market, directly or indirectly, but it just is not the case that we bought a lot of so-called bad debt. We have not.

Senator TESTER. OK. Secretary Mnuchin, after the first quarterly CARES Act oversight hearing, I submitted questions for the record to you and Chairman Powell, and while I received answers from the Chairman, I finally received yours last night. They were inadequate, to put it gently. So you are here. I am going to give you another opportunity. What measures has the Treasury put in place to prevent another tribal coronavirus relief data breach from occurring?

Secretary MNUCHIN. I am sorry. Could you repeat that? I had a hard time——

Senator TESTER. I am sorry. What measures has the Treasury put in place to prevent another tribal coronavirus relief data breach from occurring again?

Secretary MNUCHIN. I am sorry. I could not hear. Something about a data breach, but I apologize. What was the question?

Senator TESTER. I thought we had better technology than this. What measures has the Treasury put in place to prevent another tribal coronavirus relief data breach from occurring again?

Secretary MNUCHIN. I am going to have to look into that. I am not familiar with the tribal data breach that you are referring to, but I will get back to you quickly.

Senator TESTER. We will remind your staff on that. Thank you guys very, very much.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Scott, are you with us?

Senator SCOTT. I will start with a question for Chairman Powell. On Monday the House passed unanimously legislation that would require the Federal Reserve to expand access to emergency credit facilities by removing a bias against the nonincumbent credit rating agencies that serve the middle market. Senator Sinema and I introduced similar legislation late last week. I am optimistic that the Senate will act on this legislation soon. However, I do not believe congressional action should be necessary given you have the authority to resolve this issue immediate.

What are your plans to level the playing field in your facilities for nonincumbent NRSROs?

Mr. POWELL. We actually have broadened the circle of those who are included to include those who have a fairly broad business, those whom the capital markets rely on in particular areas. So we have done that. We started off with three NRSROs, and now I think we are at six. We could come back to you on that. We could look at broadening that.

Senator SCOTT. OK.

Mr. POWELL. That is not something we have looking at recently.

Senator SCOTT. That would be helpful, sir. I would appreciate you getting back with me on that, and certainly, Secretary Mnuchin, I thank you for your hard work on the 13(3) facility. I think we still need to create more flexibility where we see more folks having access to those resources. That would be helpful.

Next question: As you both know, I have been fairly outspoken on this Committee about the goal of building access to credit and increasing economic opportunity for minority communities and for the same businesses. Given my passion on this issue, it is especially tough to witness the seismic impact that this pandemic has had on black-owned businesses. When I see reports like the one released last month by the U.S. Chamber of Commerce, which found that 66 percent of minority businesses are concerned about having to permanently close their doors and 13 percent of minority-owned businesses that have applied for a loan to help survive the economic downturn have failed to secure funding, I am really shocked at how direct these statistics are. Couple that with the CEO of Wells Fargo Charlie Scharf's recent comments that he cannot find talented black individuals to be employed at Wells Fargo, I perhaps better understand the plight of so many minority-owned businesses if the CEO of Wells Fargo believes that he cannot find enough talent, that is stunning. And if he needs any help, please have him give me a call.

It is imperative that our most vulnerable and underserved communities are not left out of the economic recovery by making sure that those businesses can have access to the full benefits of the CARES emergency assistance programs that it sought to provide.

Can you, Chairman Powell, describe some of the actions the Fed has taken to address the disproportionate impact this pandemic has had on black-owned businesses and minority businesses as well?

Mr. POWELL. Sure. So let me agree that this is a very troubling situation. More broadly, the pandemic is falling heavily on minority and other groups. So we have done quite a lot of outreach to minority depository institutions, MDIs, and tried to pull them in and make sure that they are taking part in the PPP Liquidity Facility and eligible to lend in Main Street. We have done the same thing with the community development financial institutions, and, again, we have held Webinars, we have done lots and lots of outreach to make sure they are included in the program.

I think in terms of the loans that we are making, you know, our loans are broadly available to everyone who qualifies, but these are loans—Main Street is for, you know, somewhat larger companies. I do think a lot——

Senator SCOTT. Mid-sized businesses and larger, yes.

Mr. POWELL. Yeah, I think that is larger than a lot of minority businesses, and I do think PPP is also an excellent solution there.

Senator SCOTT. I do think, Chair Powell—and I think Secretary Mnuchin would agree with this—that the utilization of the MBDAs to help to market the smaller businesses under 300 or 500 employees to the PPP, using the MBDAs has been an effective strategy. There are few—not many, but few small minority businesses that qualify for the Main Street Lending Program, and I certainly would love to see more success in figuring out how to connect the dots, and I would imagine that if I am discouraged by the comments of the Wells Fargo CEO, many entrepreneurs and small businesses, minority businesses, see the entire financial industry with a bit of a raised eyebrow on the access to that when you see that 13 percent of those small businesses were unable to get the credit necessary, even though we are the guarantor of those loans that become grants.

Thank you very much.

Chairman CRAPO. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you to both of our witnesses. And, Secretary Mnuchin, I just want to say I appreciate your responsiveness. I do not always necessarily like what I hear, but I appreciate your responsiveness, and in this business no one ever says that. So thank you for whenever we have called you, you have been very responsive.

So, Chairman Powell, Secretary Mnuchin, is it a good idea for States to raise taxes and send hundreds of thousands of essential public workers off the front lines into the unemployment lines during a pandemic and a recession?

Secretary MNUCHIN. No, it is not a good idea.

Senator MENENDEZ. Chairman Powell.

Mr. POWELL. I would agree. It is not a good idea.

Senator MENENDEZ. So you both agree that, despite facing a historic $3 trillion deficit this year as well, fiscal austerity is bad economic policy which would cause additional pain during this recession. Is that a fair statement?

Secretary MNUCHIN. Well, I think we have to be careful, but I am supportive of additional fiscal measures, as I noted earlier.

Mr. POWELL. I just would add I think there is a time coming when we are going to need to get back on a sustainable fiscal path, but I wouldn't not prioritize that in the very near term when we are still in the middle of the pandemic.

Senator MENENDEZ. And I agree, and that is my point. It is while we are in the midst of a pandemic.

I would just note that Moody's, once again, its latest calculus shows that States and local governments are still somewhere in the $500 billion area of need, and like the Federal Government, our local communities are facing skyrocketing costs and declining revenues due to the pandemic. But unlike the Federal Government, they cannot borrow money to get through the crisis. Instead, they are being forced to do the unthinkable: lay off hundreds of thousands of teachers, nurses, firefighters, and other essential workers at a time when we need them the most. But there is bipartisan support to avoid such a disaster. The $500 billion included in the SMART Act, which I authored and introduced with three Republicans and three Democrats back in May, mirrors the bipartisan House bill that exists. And even President Trump said he supports, and I quote, "something like the $1.5 trillion bipartisan proposal."

So, Mr. Secretary, as the lead negotiator for the White House, are you optimistic about getting Senate Republicans to support President Trump's call for a much larger stimulus package that includes State and local funding?

Secretary MNUCHIN. Well, the President has expressed flexibility to give more money to State and local governments and also flexibility for the money we have already sent. And as I said before, I look forward to sitting down with both Democrats and Republicans to see if we can agree on bipartisan support that is very necessary across the economy targeted.

Senator MENENDEZ. Well, I appreciate that. I think that your bigger challenge is going to be with those in the Republican caucus, of which Senator McConnell himself has said there are about 20 members of his caucus who do not want to vote for anything more. And I think there is not any economists I have seen that suggest that not doing anything more in the midst of this pandemic is going to meet the challenges of families and small businesses and getting us back in shape.

Secretary Mnuchin, in June, Chairman Powell issued a statement on racial equality that said, "Everyone deserves the opportunity to participate fully in our society and in our economy. These principles guide us in all that we do, from monetary policy to our work to ensure fair access to credit across the country."

And on Tuesday, before the House Financial Services Committee, he stated, "The rise in joblessness has been especially severe for lower-wage workers, for women, and for African American and Hispanics."

Mr. Secretary, would you agree with those statements?

Secretary MNUCHIN. I would.

Senator MENENDEZ. So I have heard from a number of minority-owned businesses, and I know that in a previous answer there was a suggestion that PPP—well, there are minority-owned businesses in the 500-plus category. For example, in our Nation, Hispanic broadcasting, which serves an essential—an essential—need in informing, you know, a large part of the American society, would be in that middle market, but they are just some. I think we have an opportunity right now to demonstrate our commitment to serving minority communities in your implementation of the Main Street Program.

So, Mr. Secretary, could you commit to reviewing the terms of the Main Street Program to identify what changes could strengthen minority-owned business participation and share that analysis with me?

Secretary MNUCHIN. I will, and let me just say I know Senator Warner has been working on it. I have spoken to Senator Crapo and Senator Scott and others about reallocating some of our money and committing $10 billion to CDFIs that could be leveraged to $100 billion of immediate lending into those communities that are especially hard hit. So I would encourage this Committee to continue to look at that proposal.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Sasse.

Senator SASSE. Thank you, Chairman. Thanks to both of you for being here, Chairman and Secretary.

Secretary Mnuchin, when I am home in Nebraska every weekend, the most common question I am getting in this space is about the PPP forgiveness simplification issue for loans under $150,000, and I am just curious as to whether or not you see a simplified forgiveness form coming, and given that we are approaching the 6-month deadline, what should small businesses do if we do not have certainty on that answer yet?

Secretary MNUCHIN. Well, we did create an easy form. I know there is bipartisan support for going much further, which we think we need legislation for, and we would support if there is legislation to have loans under $150,000 have a presumption but allow for us to audit them as needed. And I know that is something that has been discussed.

Senator SASSE. Thanks. Do you have any views of any of the specific proposals on, A, where your regulatory authority ends and where you need legislation, but then on the specific legislative proposals?

Secretary MNUCHIN. We believe we need additional legislation to simplify it beyond what we have done, but would want to maintain, as I said, fraud protection.

Senator SASSE. I completely agree with you on the fraud protection. So is it your view, though, that small businesses, given what you know about where we are in the negotiation and all the hard work you have been doing in that space, as we get under 6 months from deadline, would you recommend that businesses that took $145,000, do you think they should fill out the current what is called "medium-length form," your easy form but not really simplified yet?

Secretary MNUCHIN. Yes, I would. I would encourage them—the portal is open. I would encourage them to move quickly and fill that out and not wait for legislation. But if we can get legislation to help them, that would be great.

Senator SASSE. Thanks. I would be interested in both of your views on the implications for the real estate markets of the transition to home remote work that we have seen over the last 6 months. Chairman Powell, maybe if you would start, I am interested in both housing and the commercial real estate markets.

Mr. POWELL. You know, there are clearly going to be significant implications. We do not know how long they will last, but for now, you know, the prices of homes in the suburbs and second homes have gone up, and if you own an apartment in the downtowns of a lot of cities right now, probably the value has gone down. It is going to be hard to say. Probably some of this will be sustained. People will work from home more. It is hard to say, though. You know, if you think 10 years ahead will it really be different than it would have been otherwise? Maybe at the margin. It is something we will be watching carefully.

Senator SASSE. Secretary Mnuchin.

Secretary MNUCHIN. I think there is no question on the commercial real estate markets, particularly in the big cities, there is going to be an impact, and perhaps the only good thing that has come out of this is that many businesses and us in Government have figured out that we can actually—part of the economy sometimes can work effectively remotely. So I think partial remote work is here to stay.

Senator SASSE. Thank you. I was in a conversation with a Fortune 500 CEO of an entity that has a lot of commercial real estate property maybe 6 weeks ago, and he was saying that during the height of COVID time—pre-COVID they had 70 percent "butts in seats" any given day. You have some people who were sick, some people who are on personal leave, some people who are on work travel, or some people who might have been on vacation or sick or remote working. But when they came back post—you know, being at 0 percent occupancy post-COVID, they came back and they started at about 29 percent. And the experience they had is that so many of their folks that were in their commercial real estate spaces were still having to Zoom and engage telephonically with people who were on a remote work situation anyway, but they do not see themselves getting back to anything like the density potentially ever. So I appreciate your point, Chairman Powell, that we cannot see into a 5- or 10-year crystal ball, but I think it is important for us to keep conversing between Article 1 and Article 2 as you are learning about this, that you would keep our Committee here given our housing purview in this domain as well.

The Chairman had to step out. I was supposed to call on someone, but he has returned.

Chairman CRAPO. Thank you, Senator Sasse.

And next is Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. And I again want to welcome our witnesses.

I want to step back for one moment, and we have got differences, but I want to commend Chairman Powell, Secretary Mnuchin, and, frankly, Members of this Committee. I think we rose to the occasion back with the first couple of CARES Acts. We made historic investments. I think history will treat us well. I appreciate the—I know the Ranking Member, I, the Chair, and others were in a number of sessions with the Secretary. The approach we took, I think we desperately need to get back to that approach. I have never seen a bigger disconnect between the stock market and the real economy than right now.

I also want to echo what Senator Scott and Senator Menendez have said. I want to thank them for being part of the Jobs and Neighborhood Assistance Act that the Secretary referenced. I want to thank the Chair and the Ranking Member as well for their willingness to work on this legislation. This would take billions of unallocated funds from the CARES Act and directly invest into MDIs and CDFIs, which the Secretary explained would dramatically leverage those dollars and help minority businesses that, as Senator Scott has so accurately pointed out, really have been disproportionately hurt, 420,000 black-owned businesses shut down, and we can and must do better. And, Chairman Powell, I know we have gone back and forth on 13(3) on this packet there, but I would argue—I know you said earlier in the week in your testimony that you were concerned about Main Street going smaller, below 250, and the Fed's capacity to deal literally with hundreds of thousands, if not millions of loans. I would argue the way to deal with that or at lest one tool to deal with that would be the direct equity infusion into those MDIs and CDFIs whose goal and purpose is to lend to these smaller institutions. You would not have to necessarily grapple with all the individual loans, but you could make these kind of, I think, investments and Fed support programs for these institutions that service that community. And I again just really am very, very hopeful that we are going to come to an agreement and make that additional COVID relief package.

I do want to get to a question, but I want to—I guess the question I will start with for Chair Powell is, you know, your two predecessors, a series of both liberal and conservative economists said we need to make substantial stimulus investment that is in the trillions of dollars. I would echo my Democratic colleagues that when the Majority Leader put forward a plan that was one-third of the size of what even the Trump administration suggested, that was not a good-faith effort. I would strongly urge all my colleagues that we ought to not break. We ought to get another COVID package out. It is essential. People in my State are hurting. I agree with Senator Sasse. We need to go ahead and give the Secretary the presumption on those loans $150,000 and under that they can be presumed to be grants and really make that form shorter.

But, Chairman Powell, can you address again this issue that we desperately need this larger relief and that targeted relief does not mean small, it just means we need to target it to those most affected? Can you address that?

Mr. POWELL. Sure. So, again, I will leave the details—it is not appropriate for me to express a view on the particular details of that, but I would say that the recovery we have had so far owes in significant degree to the CARES Act and the support that Congress provided in conjunction with the Administration. And I think while the economy has been doing better than expected, I think there is downside risk to that if there is no further fiscal support. The people who are—there are still something like 11 million whose payroll jobs have not—they have not gotten their jobs back. Those people are able to spend now because of the checks that they got and because of the unemployment insurance that they got, the enhanced unemployment insurance. There is downside risk to the economy probably coming if some form of that support does not continue.

Senator WARNER. I guess what I would ask—and I know I am down to 35 seconds. I would ask both you, Chairman Powell, and Secretary Mnuchin: Is the risk to the economy long term greater or less if we undershoot versus overshoot? I would ask you to simply say, you know, should we understimulate or overstimulate when we are at this critical point on the margin recognized?

Mr. POWELL. Again, I would just say we are going to have to. We will come back to a place where we need to get the U.S. Federal Government on a sustainable fiscal path. But I would not prioritize that now when we are in the middle of a pandemic.

Senator WARNER. Secretary Mnuchin? I know I am over time.

Secretary MNUCHIN. What I would say is forget the long term. The issue is now. And I would just say some is better than none, so I would encourage again bipartisan support.

And, again, let me also recognize this Committee and the great work they did, and, Chairman Crapo, if you and the Ranking Member and other Members want to sit down, I would be willing to come here anytime to continue to work with you.

Chairman CRAPO. Thank you.

Senator Cotton.

Senator COTTON. Probably of people who work in almost any workplace in America, the Members of this Committee, like the 100 Senators of the U.S. Senate, have been traveling as much as anyone on airlines, going back to May, and I think we have all probably had the experience that I have had multiple times of gate agents or flight attendants or pilots asking me about the status of negotiations related to additional relief for airlines. Just this past weekend, flying back to Washington, I had a flight attendant literally come up and hug me in my seat because she recognized me—quickly apologized for violating physical distancing protocol, but that is OK because we both had our masks on and it was brief—to tell me that she had been working for over 20 years with this airline, she was afraid she was about to lose her job in early October, and it would be the first time in her life she had ever gone on unemployment. And I told her that we are still working to do everything we could in Washington to try to avoid that fate, because not a single person in the airline industry or any of its ancillary industries or, for that matter, in any business in America from the frontline workers all the way up to the CEO and the board is responsible for the fate that these businesses and industries find themselves in. It is the responsibility of the Chinese Communist Party and its incompetence and malignancy in covering up this disease from the very beginning.

Secretary Mnuchin, what is the status of the Administration's efforts to try to find some relief for the airline industry in particular? I know that you and the President and others have been meeting with the leaders of the companies as well as the leaders of their employees' unions, and I would just like to hear what you have to say. And I am sure that those workers would like to hear what you have to say as well?

Secretary MNUCHIN. Thank you. First of all, I just want to say that the work that was done in the first bill was extraordinary and literally saved the entire industry. I know Senator Wicker and others have proposed extending more payroll support payments in return for not having layoffs, and the President and I do support that approach.

Senator COTTON. Is there anything that you have under existing authorities, either the CARES Act authorities or prior law, that could help the airlines avoid these coming layoffs?

Secretary MNUCHIN. Unfortunately, there is not, but, again, we are encouraged. There is a lot of money in the loan program that we are not going to use specifically for the airlines and reallocating that.

Senator COTTON. Thank you.

Chairman Powell, you just noted there are still 11 million Americans who have not gotten back to work. Almost as many have gotten back to work who lost their jobs at the height of the uncertainty about the pandemic in the spring. Obviously, the airline and related industries are one big one. Could you give us a sense of the other industries and the kinds of businesses in which those 11 million Americans who are still out of work are concentrated?

Mr. POWELL. Yes. There are big numbers of people still unemployed in the businesses that involve a lot of contact with the public. So it is hotels, entertainment, retail, restaurants, bars, all of the places where we are getting people in groups together and facing them face to face. That is not all of it, but that is a big chunk of the remaining unemployed.

Senator COTTON. Yes. And I think, again, elected officials probably experience this as much as anyone in America given the amount of time we travel and the time we spend in hotels, or we used to spend in public venues speaking, and I for one am very mindful—I know most of our Members are as well—about the impact this virus has had on them in those industries. Is the single best thing we can do to get a vaccine and get the virus under control? Putting aside what kind of fiscal or monetary relief we may provide to them, just given the nature of the travel and hospitality and tourism and event industry, is the vaccine the single best thing that we could get?

Mr. POWELL. Yes, and in the long run, I think that is what it is going to take to get business travel back to, you know, near where it was, for example.

Senator COTTON. OK. A final question. Chairman Powell, you have cited a couple times as well as in your written testimony the 13 different programs that the Federal Reserve has stood up. Which of those programs in your opinion has performed the best given its stated objectives?

Mr. POWELL. So I think the original ones that dealt with the funding markets stopped pretty quickly what was a budding run on short-term wholesale financing markets very early on. Those succeeded.

I would also cite the Corporate Credit Facility for having opened up the market really without making a single loan.

After that, I would cite—well, the PPLF was very successful in letting small banks make their PPP loans and then get them off their balance sheet so they could make more loans.

I think the Municipal Facility has worked in the sense that we have a quarter of a trillion dollars in muni issuance, which is much higher than even last year before the pandemic and at attractive rates.

So I think there is a lot of success. I think there is also some difficulties. For example, Main Street is much harder, much more difficult.

Senator COTTON. Thank you.

Senator CRAPO. Thank you.

Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

The pandemic and the recession it created have hit communities of color the hardest, and I have said before that I believe that we need a policy response that acknowledges that. But it is equally important to recognize that racial inequality was amplified by the pandemic. It was not created by it. And even during periods of strong economic growth, measures of economic well-being for black and brown Americans has lagged far behind those for white Americans.

Now, Chairman Powell, the last time that you were before this Committee, you told me that the persistent economic gap between black and white Americans was an unhealthy feature of our economy. Is that still your view?

Mr. POWELL. Yes. Yes, it is, Senator.

Senator WARREN. Good, and I agree with you on this. Since it was created in 1913, Congress has spelled out in law the mission of the Federal Reserve: to keep unemployment as low as possible and make sure that we have a stable financial system—the twin goals of the Fed.

Now, you have policy tools at your disposal to accomplish those goals. For example, your decisions affect how much a family pays on a mortgage or a car loans. Your decisions determine how quickly someone gets credit in their bank account after a paycheck is deposited. But as you and I have discussed before, black and white families face very different economic realities in this country, and that means decisions from the Fed affect those families differently.

So the Fed recently took a step in the right direction by making it clear that fulfilling its mandate means keeping interest rates low long enough to allow growth to reach all households, not just those who are doing well already, and this is especially important because, historically, in a time of crisis, black unemployment jumps faster and then takes longer to go down. And the Fed should not slow economic stimulus before black workers see real economic gains.

This updated statement interpreting your mandate is a good first step. But I believe the Fed could be doing more, and that is why I have introduced a bill with Chair Waters and Senator Gillibrand to require the Fed to use all of its tools to close racial economic gaps.

So, Mr. Chairman, when you were here 3 months ago, you said that the Fed would be looking for ways to use your economic tools to do more to address racial disparities, so I want to follow up. Have you identified a comprehensive list of policies the Fed can pursue in order to make good on these commitments? What is on your list, Mr. Chairman?

Mr. POWELL. I think you see on our part a heightened focus on economic disparities, including racial economic disparities, and you see that if you look on our website—on the front page of our website, we have all of the things we are working on in that area, and it has really become quite a broad set of efforts from data collection to research and things like that. And the reason we do that is that, you know, you give us maximum employment as the goal, and maximum employment we now view in our new framework as a broad and inclusive goal, which really means we are not just looking at the aggregates; we are going to look at different demographic groups and different measures.

So I think we are doing the things that we can do with our tools to address these issues of disparate economic outcomes. I actually think that the far stronger and more important tools are not those of the Fed. Nonetheless, I think that we are and should be using our tools to the extent we can. And, actually, I would just close by saying that all of that is taking place under our current legislative mandate. I do not really think you need to change the law to get us to do this. We are doing it already.

Senator WARREN. Well, I appreciate that, Mr. Chairman, that you are trying to do this. But I asked you two things. The first one is just name a couple of the specific things you are doing. What did you put on your list in the last 3 months?

Mr. POWELL. OK——

Senator WARREN. I appreciate that you say you have given focused attention or attention on this. What changes did you make?

Mr. POWELL. The first and most important one is the one that I mentioned, which was to define our maximum employment goal as a broad and inclusive——

Senator WARREN. But I mentioned that one. What other things?

Mr. POWELL. What other things? You know, I would point to the fact that we have been outspoken at the Fed on our commitment to diversity and to, you know, racial justice.

Senator WARREN. I appreciate that, Mr. Chairman, but, you know, words are not good enough on this issue. Every economic policymaker, including the Fed, should be taking steps to confront racial economic disparities head on. And, frankly, this cannot just be a one-time exercise. I appreciate that you say it is important to you, but the Fed needs to focus on this issue during your tenure and during the tenure of all future Federal Reserve Chairs. And that is why I have legislation that would require the Fed to talk about these gaps as part of its regular reporting to Congress. And my legislation would also ensure that the Fed uses everything in its toolkit to eliminate those racial disparities.

You know, there is so much more the Fed could be doing. Consider access to credit for black borrowers when evaluating merger applications. Make sure that payments hit bank accounts faster. Use the Fed lending facility to prevent layoffs in State and local government. I get it. The Fed cannot solve every economic problem on its own, but the Fed is not a helpless bystander. Its decisions matter, and they matter most in our vulnerable communities, and it is time for the Fed to step up on this responsibility.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman. Thank you to both of you for joining us today.

Despite the challenges that we have faced in standing up the Paycheck Protection Plan in the first place, South Dakotans have been overwhelmingly supportive of the relief that the PPP brought to small businesses. Recently, however, I have started to hear concerns from dozens of business owners and bankers who have experienced challenges with the PPP forgiveness portal.

Senator Sasse began this line of questioning and comments, and I want to add some emphasis to it because I think the message that we have received back has been considerably different than just simply having a little bit of time to fill out these forms. What I would like to do—one lender in particular sent me a note, and he is pretty direct on it, but I would like to share it because it kind of points out the frustration that our lenders have in terms of helping these small businesses. This is a quote that they sent to me:

"The forgiveness piece of the PPP is a disaster. I have 750 loans out of 1,381 under $20,000. Fifty are under $2,000. They have basically the same forgiveness process as the loans of my largest borrower of our $4 million. The simplified version is not that simple. The GAO has studied it and says it takes a borrower 15 hours to complete it, and the lender an additional 75 hours to process. Our borrowers are not happy, nor are we as bankers. This is not what we signed up for in order to get disaster payments to our customers. We are trying to hold off those borrowers under $150,000, but they are getting anxious. We busted our tails off to get this money out, and we are getting absolutely screwed by the process. Lenders feel as though they have really been let down. There is more than a little fatigue."

Mr. Chairman, I would like to ask unanimous consent that additional statements that I have received from South Dakota bankers expressing frustration with the PPP forgiveness process to also be entered into the record.

Senator KENNEDY [presiding]. Without objection.

Senator ROUNDS. Thank you.

Secretary Mnuchin, I understand that you are limited in terms of what you can do with regard to forgiveness, but simplification should be something that I think we need to take a second look at. And I would just ask if you would work with us to see if there is not a way to find a path forward in the near future, even if we cannot get any more legislation out of Congress, to find a way to simplify this for both small borrowers and these lenders, who really did go above and beyond to try to get this set up in the first place and did a marvelous job of getting that money out.

Secretary MNUCHIN. Thank you, and we will work with you. And, again, as I have said before, we would support legislation that simplified this. It does not cost any money, and we would still retain our right to have the SBA audit as appropriate.

Senator ROUNDS. And, Mr. Secretary, I agree with you. I think in whatever number we put together or whatever simplified form we put together, the ability to be able to go back and to audit at a date in the future is critical. We do not want to have fraud involved. But it looks to me like there is a huge amount of work out there that we are expecting lenders to do that basically they are not going to get done in a timely fashion. And we will have a problem that we will have to address if we do not find a way to resolve this particular issue.

Chairman Powell—Mr. Secretary, did you want——

Secretary MNUCHIN. No. I was just going to say I am going to go back and, again, address this with the SBA this afternoon.

Senator ROUNDS. Thank you, Mr. Secretary.

Chairman Powell, I understand the focus in the near term needs to be on getting our economy back to a place where it is firing on all cylinders. But can you briefly discuss how you are viewing the evolution of the Fed's balance sheet, recognizing that this is a different type of a situation than we had back in 2007, 2008, and 2009. We talked a lot back then about what was on the balance sheet and how it was going to be moving around. Can you share with us briefly the philosophy that you would like to follow with regard to the balance sheet today?

Mr. POWELL. Sure. So the balance sheet continues to grow because of our asset purchases. It turns out that the volume of loans that we are making under the programs is much less than might have been the case, which is not to say the facilities have not worked, just that we have not had to buy a lot. And, you know, we are a buy-and-hold investor. After the financial crisis, we allowed assets to mature and run off on their own. And that would be certainly—by the way, we are a long way away from that at this point. We will not start doing that until way down the road. But then we will. You know, we—and the economy will grow, and the size of the balance sheet relative to the economy is really the metric, and we will be able to get that down over time. But it is not something we will be focused on in the near term.

Senator ROUNDS. Thank you.

Thank you, Mr. Chairman.

Senator KENNEDY. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman and Ranking Member, and I want to thank Chairman Powell and the Secretary for being here.

I have been listening to the testimony, and, Mr. Secretary, I understand that both you and the Chairman agree that additional fiscal help is needed to help working families and the economy. I also hope we would all agree that we should provide that relief in the most effective way possible for working families and to boost the economy. And the Congressional Budget Office just issued a report on September 18th about the impact of the CARES Act on economic impact. Have you had a chance to review that report, the CBO report?

Secretary MNUCHIN. I have not yet had a chance, but will do so this afternoon.

Senator VAN HOLLEN. Thank you. I encourage you to do that. We had a Budget Committee hearing yesterday, and I asked the Republican-appointed Director of the CBO about the provision in the report that indicated that aid to State and local governments was among the most effective tools for helping working families and boosting the economy. So I really encourage you to do that.

You are aware of the fact that during the negotiations over the CARES Act, the original proposal put forward by Senator McConnell on the floor of the Senate did not include a penny of appropriations for State and local governments, right?

Secretary MNUCHIN. Well, it provided money to education, which would have saved State and local governments significant amounts of money. So, in essence, that was.

Senator VAN HOLLEN. Mr. Secretary, that goes directly to education departments, which is good, and, of course, we increased that at the time. But there was not a penny—and then subsequently, when this issue came up, Senator McConnell talked about letting, you know, States and local governments go bankrupt. And, of course, the most recent proposal he put on the floor of the Senate does not include a penny of money for State and local government even though the CBO report indicates that is one of the most effective ways.

But as I understand your testimony, you agree that additional State and local support would be helpful, right?

Secretary MNUCHIN. Yes, we do support some additional aid.

Senator VAN HOLLEN. Got it. So I would like to ask you about a statement you made on national television a few weeks ago on September 6th, and I am quoting what you said. You said, "I think before we got into COVID–19, I thought the debt was very manageable. We were having extraordinary growth. We were creating growth that would pay down the debt over time." That was the statement you made on Fox.

I asked the Republican-appointed CBO Director about that statement yesterday at a Budget Committee hearing, and with respect to the claim that we were creating growth that would pay down the debt, he simply said that was untrue, just the budget did not show that. It was flat-out wrong.

But I want to focus on the part of your statement where you said that, prior to the pandemic, we were experiencing "extraordinary growth," because in 2019, before COVID–19 hit, economic growth was 2.3 percent. Is that the "extraordinary growth" that you were referring to in that TV interview?

Secretary MNUCHIN. We were on track for significant growth beyond that, and that is correct.

Senator VAN HOLLEN. All right. Mr. Secretary, you were not on track for significant growth. You have overestimated the growth repeatedly. You know, President Trump has talked about 4 percent growth. And the reason I ask is that during the second term of the Obama/Biden administration, the economy grew at 2.4 percent per year, in fact, slightly higher than the economic growth you were talking about just before the pandemic. So by your definition, those 4 years of the Obama/Biden administration experienced extraordinary growth. Is that right?

Secretary MNUCHIN. No. Again, I would be happy to go through my projections with you offline, but we were beyond all of our projections, and, again, we had projected 3 percent over time, which is something that has not been done in years, and we believe the economic——

Senator VAN HOLLEN. Mr. Secretary, it is simply the difference between projections and reality, and the reality is that economic growth over the, you know, 4 years of the Obama/Biden administration was actually slightly higher than the economic growth in 2019, which you called "extraordinary growth."

Let me ask you now about President Trump's payroll tax deferral proposal where workers do not have their Social Security taxes taken out of their paychecks through the end of the year, but then they owe the money and have to pay it back. As you know, the private sector really wants nothing to do with this. It really is a shell game. But I wrote to you about this along with a number of my colleagues who sent a bipartisan letter simply asking you this, that with respect to folks in our military and our Federal civil servants, that you at least give them the choice as to whether or not to participate, that you do not force folks in the military or Federal employees to participate if they do not want to do it.

Senator KENNEDY. Could you give us a brief answer, Mr. Secretary?

Senator VAN HOLLEN. And when we are going to get an answer to the letter and also what your answer is.

Secretary MNUCHIN. I would be happy to follow up with OMB who is responsible to have the agencies. I think that is reasonable issue if people do not want to participate with them, but let me follow up with them.

Senator KENNEDY. Thank you, Mr. Secretary.

Senator VAN HOLLEN. Thank you.

Senator KENNEDY. Senator Perdue.

[No response.]

Senator KENNEDY. He is not here? OK. I think am next.

Mr. Chairman, can you tell me how much money is left, not without leverage, in the Main Street Lending Program?

Mr. POWELL. I am sorry. Without—can you say——

Senator KENNEDY. Without the leverage.

Mr. POWELL. Without the leverage.

Senator KENNEDY. Yes, sir.

Mr. POWELL. Well, I think that would just be the equity.

Senator KENNEDY. Right.

Mr. POWELL. So Treasury committed $75 billion, so most of that.

Senator KENNEDY. Is left?

Mr. POWELL. Yes, with no leverage.

Senator KENNEDY. Assuming that we are not going to use that in the next 6 months, of all of our alternatives to try to stimulate the economy, what is the single highest and best use of that money?

Mr. POWELL. I think we will use some of it. We are using some of it even as we are speaking here today.

Senator KENNEDY. How much do you think you will use?

Mr. POWELL. You know, I think that the total loans might be—I do not know—you know, $10, $20, $30 billion by the end of the year.

Senator KENNEDY. OK. Let us suppose——

Mr. POWELL. But that is with leverage.

Senator KENNEDY. Let us suppose we have $50 billion left in, that we will not be—well, let me put it another way. Is there a higher and better use of that money in the Main Street Lending Program given what we know about the program right now?

Mr. POWELL. I have a strong desire to not get too deeply into these specific fiscal questions, but I would say, though, that there are some things that you have talked about today that would be——

Senator KENNEDY. What is the single higher and better use?

Mr. POWELL. To me it would be PPP, and then after that I would say something more for those who remain unemployed.

Senator KENNEDY. OK. Mr. Secretary, do you disagree or agree with that?

Secretary MNUCHIN. I do agree with that, not just that money but the $200 billion that I have on the sidelines.

Senator KENNEDY. OK. So if we could agree to take $50 billion of equity from the Main Street Lending Program and commit it to, for example, PPP, you think that will help the economy?

Secretary MNUCHIN. I do, on top of the $130 billion that is sitting there unused.

Senator KENNEDY. Right. Do you agree with that, Mr. Chairman?

Mr. POWELL. I do. There is this $200 billion, though, that I think you—I would take that first rather than taking it directly from Main Street.

Senator KENNEDY. Right.

Mr. POWELL. Sorry, the part that has not been allocated at all is $200 billion.

Senator KENNEDY. I understand. Mr. Chairman, what is going to happen if we do not pass another coronavirus bill?

Mr. POWELL. Well, I think the risk is that spending will weaken and that these 11 million-and-change people—and, actually, there are many more than that whose working lives have been disrupted, but there are 11 million in the payroll survey that are unemployed, and some of those are going to have a hard time getting back to work because they work in those difficult areas of the economy. And so they have money in the bank now from the checks that they got and from the unemployment insurance, and I think they will go through that. And so we will see sooner or later—probably sooner, we will see that the economy has a harder time sustaining the growth that we have seen. That is the risk.

Senator KENNEDY. OK. Mr. Secretary, if we in the Senate, along with our colleagues in the House, could agree to do one thing to improve our economic situation, what would you recommend that we do?

Secretary MNUCHIN. I would allow us to spend the $130 billion that is sitting in the PPP, money that has been appropriated by Congress, and allow us to send second checks to those businesses that are hardest hit and small businesses.

Senator KENNEDY. And that would be your number one priority?

Secretary MNUCHIN. That would be.

Senator KENNEDY. OK. I am about to run out of time, so I want to slightly change the subject here. Mr. Secretary, I know you are part of the President's Working Group on China Markets. Is that correct?

Secretary MNUCHIN. Yes.

Senator KENNEDY. And I appreciate your good work on that. Two of my Democratic friends in the House have told me that Speaker Pelosi has decided not to move any Senate China bill that is sponsored or cosponsored by a Republican. How do we address that?

Secretary MNUCHIN. I am not aware of that, but, again, we would be happy to work with you and follow up.

Senator KENNEDY. Could you bring that up with the Speaker?

Secretary MNUCHIN. I would be happy to.

Senator KENNEDY. Thank you very much.

Thank you, gentlemen, both for your good work. I want to associate myself with my colleagues' remarks complimenting you. You have had to do it with happy thoughts and spit and duct tape, but you have held this thing together, and I want to thank you.

Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you. Gentlemen, thank you for being here as well, and I, too, want to thank you for your responsiveness always and so appreciate that.

Let me talk about something that I know I have talked to both of you about over the phone and in person, the hard-hit tourism and hospitality industry. In April, almost 8 million jobs in the leisure and hospitality sector were lost. I know you both know that. Workers in the leisure and hospitality industry experienced a peak decline in employment of more than 52 percent. Nevada's economy has cratered as tourism and travel stopped. Nevada's unemployment rate is more than 13 percent. More than 300,000 people continue to claim unemployment insurance. And in a recent survey from the American Hotel and Lodging Association, nearly three-quarters of hotels will have to lay off employees if they do not receive additional Government funding. In Las Vegas and Reno, employment in our hospitality and leisure sector is down by nearly 25 percent, the most among all sectors.

So let me start with you, Secretary Mnuchin, and you and I have had this conversation, and I know you appreciate how hard hit our industry is. You talk about there needs to be an additional targeted relief. Can you identify what that targeted relief would look like specifically for this industry?

Secretary MNUCHIN. Well, I think the PPP is the most effective way of getting targeted relief to those jobs that you are referring to, and, again, we would put a revenue decline test to make sure that it was allocated to the businesses that really needed it.

Senator CORTEZ MASTO. But it has not been. Listen, I just heard Senator Rounds even say the PPP was not working in his State, and it has not worked in Nevada because, clearly, there are too many of our businesses that are still suffering around the hospitality industry as well, from live events to restaurants. So what do we need to do to target it? That is what I am looking for, because my concern is a comment that you made earlier that some sort relief is better than nothing. So I am not about picking winners and losers, and I think that comment is, unfortunately. I do not see how you can identify an individual or business that gets relief when some do not. I do not know how you can identify that maybe the airline industry, who needs relief and those workers need relief, when we are not giving direct payments to those who are unemployed and still working on the unemployment and how we do not still target funding for State and local governments, how we still do not target what is necessary right now around the health care industry, because we all know that is the cause of our economic woes right now, and we should still be funding that.

All of the things that I have seen put forth in this skinny bill, they do not fund any of those things. So don't we really need a comprehensive package? And let me ask both of you, isn't that what we need here to stimulate and continue to stimulate our economy to get out of this, a comprehensive package so nobody is left behind?

Secretary MNUCHIN. I just want to clarify. My comment on some relief was better than no relief was implying that we should have a compromise and have bipartisan support, because right now with no legislation that does not do any good.

And I would also just say I think the PPP has helped those industries an enormous amount. They have just run out of money, and they need a second check.

Senator CORTEZ MASTO. Right. I do not disagree with you there. I think we still have to target money to small businesses. I absolutely agree, and I think that is part of the concern here, is that by the conversation that I am hearing is that we are looking at only lifting up some within the communities and not everyone. And I guess my question again to you is: Don't we need comprehensive relief here?

Secretary MNUCHIN. I do think we need comprehensive relief. It was not a question of some versus none. It was a question of right now we are stuck because the Democrats have a commitment of if it is not less than $2.2 billion, they are not willing to sit down and talk. And——

Senator CORTEZ MASTO. Well, listen, Secretary. Listen, Secretary Mnuchin. I can debate this with you all day, but the public does not care right now. The American public wants some relief. And you can talk about Democrats, you can talk about Republicans. Look, we can also talk about the fact that the Republicans, instead of negotiating with the Democrats in the Senate behind closed doors, put together a skinny package, threw it on the floor of the

Senate without even going through Committee, without even any negotiation. And in Mitch McConnell's own words, there are 20 of his members who do not want to do anything. We can debate that all day long, but that does not get us to where we need to be, which is too many people across this country are suffering, and right now it requires us to come together and do a comprehensive package. That is all I am looking for from your is your commitment. You have done it before. You did it four times before. I want to see the commitment that you are still there to do a comprehensive package with everyone.

Secretary MNUCHIN. Yes, you have my commitment. I am available anytime. And, again, I will reiterate this Committee has been very effective. Mr. Chair, if you and other Members of this Committee on a bipartisan basis want to sit down, I am available anytime.

Senator CORTEZ MASTO. Thank you.

Chairman CRAPO [presiding]. Thank you, Senator Cortez Masto, and thank you, Secretary Mnuchin. Your commitment to trying to put together the kind of package we need, a comprehensive package, is unmistakable. Your commitment is solid, and I appreciate your restatement of that commitment to sit down with us and try to work this out.

Next is Senator McSally.

Senator MCSALLY. Thank you, Mr. Chair. Good to see you, Secretary Mnuchin, Chairman Powell.

Thanks for your work, Secretary Mnuchin. We worked together on putting together additional COVID relief that I voted yes on just a few weeks ago. And just for a review, that included $257 billion, second round of PPP that was really targeted for the smaller mom-and-pop shops and the hardest hit small businesses, like many of them in Arizona. They were grateful for the first round of PPP, but some of them are still struggling trying to stay afloat, and this really would have been a lifeline for them.

Also, commonsense liability protections for schools and hospitals and businesses to protect them from an epidemic of trial lawyers coming after them while they are following best practices.

The $300 extra a week in unemployment for that social safety net, for those who are still unable to work as we continue to defeat the virus and move the economy forward, you know, short-term assistance that I championed for child care providers so that they could reopen and stay open. This is particularly important for working moms to be able to balance, get that safe place for their kids to have child care while they can safely return to work.

Also, I fought to extend the deadline to September 30, 2021, for spending of the already appropriated money in the CARES Act for States, tribes, and local governments under the Coronavirus Relief Fund. This was something we have heard from communities, especially the tribes. It is so important to extend that, so it was great to see that in the bill. The $31 billion for vaccine therapeutic diagnostic development, vaccine distribution, restocking the strategic stockpile; $20 billion of additional farm assistance, again, going out to farmers and ranchers and growers who do need that support; and $105 billion for schools to get students safely back to school, both higher education, K–12, with school choice; and support to the Postal Service.

I know I am hearing from small businesses. They are doing everything they can. They are grateful for PPP, and this was a targeted, strong relief package to get relief out the door. People are tired of hearing the blame game going on in D.C. This was going to get needed relief out the door.

Secretary Mnuchin, can you just share, with that $257 billion, as we see the economy—the status of the economy and a lot of small businesses still struggling, how many small businesses could we have saved if that $257 billion was out the door right now and helping small businesses across the country?

Secretary MNUCHIN. I do not know the exact number, but it is an awful lot.

Senator MCSALLY. Yeah, it is. I mean, in Arizona alone, over 86,000 small businesses took advantage of PPP, and that was 1 million jobs saved. So just this second round would really be impactful. If you can just share your views kind of on the economic recovery and how important this second round of PPP would be. I mean, look, let us just vote on that on the floor. Let us just continue to vote on things that we can agree upon. We should be moving this relief out to small businesses. So can you just kind of share your view, and Chairman Powell, of the importance of getting this out the door to support these small businesses?

Secretary MNUCHIN. As I said earlier, I think it would be the single most impactful area, and, again, I would just emphasize this does not even require additional funds to be appropriated.

Senator MCSALLY. Yes.

Secretary MNUCHIN. We can have the $130 billion there and allocate some of the money that we are not going to use on the Fed facilities. So it would not cost an extra penny.

Senator MCSALLY. Exactly. Chairman Powell, do you have anything to add just on the importance of getting additional relief out to small businesses like what I voted yes on a few weeks ago?

Mr. POWELL. Not much. I just would agree that, you know, this is something that would help the economy.

Senator MCSALLY. Great. Thank you.

And a follow-up on extending the deadline. Again, this is not additional money. This is money that was already sent out, the Tribal Relief Fund which I championed, $8 billion out to tribes, and the resources out to States and local governments. We were able to get included into that legislation we voted on in the Senate, extending that for a year.

Now, I have been in the military where we see if we have got to spend money by the end of the year, you often, you know, use it or lose it, spend it on not the best things you could spend it on. And we have heard from tribes, for example, the Navajo Tribe, who they have got a plan to invest it. But if you are talking about infrastructure projects, water infrastructure right-of-way, things that would really be impactful to address some of the underlying challenges they have had in dealing with coronavirus, they just cannot get there by the end of the year.

So, again, this is not one additional dollar. It is just an extension. Could you share again, Secretary Mnuchin, just your support or your views on——

Secretary MNUCHIN. Yes, I strongly support that as well.

Senator MCSALLY. OK, great. Thank you.

And just one last question. I am almost running out of time here, but maybe we can follow up, because I have heard from many small businesses they either took advantage of PPP or they could not, but really they are still struggling related to managing their bills, managing their debt, and I appreciate we engaged on this in response to this pandemic, the troubled debt restructuring provision in the CARES Act. And so the statement issued directly by the Fed encourages lenders to work with customers that are experiencing financial hardship to try and help them, you know, restructure if needed and not have it be a ding on them.

Unfortunately, I am out of time, but I would like to hear what you have seen in regards to uptake related to this and the implementation of this policy and what other actions regulators or lenders are taking to ensure individuals and businesses across Arizona and the country where there are options beyond PPP or the Main Street Lending Program to just help give them some relief here. So I look forward to following up on the record.

Chairman CRAPO. Thank you, Senator McSally.

Senator MCSALLY. I yield back.

Chairman CRAPO. Senator Jones.

Senator JONES. Thank you, Mr. Chairman. I appreciate this opportunity. Thank you to both the witnesses for their presence here. I really appreciate that.

Also, you know, I just listened to a review about what was all in the bill that was voted on a couple of weeks ago. Unfortunately, time does not permit me to go through all of the inadequacies of that bill, and they are legion. The fact of the matter is that that bill was less than half of what was being floated out there in August, and the Majority Leader had to reduce that in order to get members of his own caucus to join it. Clearly, it was more of a partisan bill. It was more of a partisan vote rather than any effort at all to reach bipartisan agreement.

I would like to associate myself some with Senator Menendez's comments about city and local governments. My home town of Fairfield has suffered. They have had to file bankruptcy. Just this last Friday in Birmingham, 150 Birmingham public library employees had to be furloughed.

Mr. Chairman, I would like to submit for the record a chart detailing the loss for 60 Alabama cities of $40 million that they have not been able to recoup. I will ask unanimous consent that that be submitted for the record.

Chairman CRAPO. Without objection.

Senator JONES. The Alabama League of Municipalities says 46 percent of those are for lodging taxes. There is a lot that we can do. I think Senator Menendez covered that appropriately.

Secretary Mnuchin, let me ask you real quick about the stimulus checks, because while I also hear about PPP and small businesses, I also hear from a lot of folks about either a next round or either the 150,000 Alabamians that have not got their money from the

CARES package. The GAO report that was released this past Monday shows nearly 9 million Americans, 150,000 of those in Alabama, that have still not received their $1,200 stimulus checks. These are folks that do not make enough that they do not file taxes. I understand that there was a letter that was going out in September about urging people to do that, but there is also an October 15th deadline that I am afraid a lot of people are not going to make.

Can you commit to extending that October 15th deadline for a month or so, maybe until December, in order to get these folks their checks now rather than waiting on some kin of tax credit that may or may not even work for them?

Secretary MNUCHIN. Let me go back and see if we have the ability to do that, yes.

Senator JONES. OK. Well, that would be great. I think you do have that ability, but if you could get back with our office about that, I would very much appreciate it. And I agree with Senator Menendez about your responsiveness, and I have really appreciated that during the course of this.

Chairman Powell, real briefly, I think by now folks recognize that the stock market is not always the best indicator of where the economy is going. We have seen it has been like one of my favorite roller coasters down in Georgia, the Great American Scream Machine. It is up, it is down. It just depends on how the day traders are looking at the end of a day—not that it is a bad one, but it is just not the only one.

During the pandemic, many hardworking Americans lost their child care with daycares closing and elderly relatives worried about exposure to illness. Without the flexibility of working from home, many have had to cut back on their hours, and some cannot work at all, which this means smaller paychecks or no paychecks whatsoever.

The hardest-hit folks, I think, in my view, are not just those—if you go to one demographic, it is single moms. In Alabama, more than 25 percent of Alabama households—25 percent of Alabama households are headed by single mothers. Of those, 50 percent of those are women and children who live in poverty. Without some kind of deal in sight that includes a stimulus check or the ability, if they have not got one already, to get it, how are these single moms going to put food on the table? How are they going to pay for the necessities?

So my simple question, Chairman Powell, is: What impact will consumers with less discretionary spending like these folks have, what impact will that have on the economy going forward?

Mr. POWELL. Let me just start by agreeing with you that the burdens of this pandemic have really fallen hard on people just like the ones you are describing. You know, if people start to run through what resources they have, they are at risk of losing their homes or having to move out of the place they are renting, maybe move back in with family, and those things are not necessarily good for controlling the spread of the virus.

In addition, of course, they will cut back their spending, and, again, I would just point to the CARES Act really did a lot of good in putting money in people's hands and keeping them in their homes and keeping them spending, keeping them in one piece. And, you know, going forward, more of that may be needed.

Senator JONES. Right. Thank you, Mr. Chairman. Thank you, Secretary Mnuchin. I appreciate you both being here.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Smith.

Senator SMITH. Are we there?

Chairman CRAPO. Yes, Senator Smith, is that you?

Senator SMITH. Yeah, there you go. Can you see me?

Chairman CRAPO. Yes, we see you now. Go ahead.

Senator SMITH. Thank you, Mr. Chair and Ranking Member Brown, and I want to also thank Secretary Mnuchin and Chair Powell for being here.

Chair Powell, I would like to start with you. You know, I sit in the seat that was once held by Senator Hubert Humphrey, who was a champion for full employment. In fact, his name is on the Humphrey–Hawkins bill that sets the dual mandate for the Fed of maximum employment and stable prices and that you are charged with implementing. And you have noted several times—I appreciate your comments about how COVID has not been the great equalizer, that is disproportionately is affecting people in low-wage jobs, essential workers, often women and women of color, black and brown people, indigenous people.

So my question is this: As you think about your mandate at the Fed and you think about the decisions that you make around monetary policy, could you just talk a little bit about how you see the impact of monetary policy on supporting households of color? We know Fed research has shown that workers of color tend to recover their lost wages more slowly, for example. I am interested in knowing how you think about this and how you might want to bake that more into your work as you go forward.

Mr. POWELL. The single best thing we can do is support a tight labor market, a strong labor market. We saw in the last few years of the last long expansion that the gains began to go more and more to people at the lower end of the income spectrum, more and more to minorities and women, and that was, we think, significantly because unemployment was very low, companies were having to look hard to find workers, and it is a state of affairs that we would love to get back to.

I just would add, though, you know, it took us 8 years to get from the global financial crisis to that tight labor market. It just takes a while. And so I think there are other tools that can help in the meantime, and those are really the fiscal tools. It is not a good strategy to be waiting, you know, for unemployment to get really low again, although that will work ultimately. So that is the main thing that we can do.

Of course, we also have tools where, you know, we supervise banks to make sure that there is not discrimination along racial lines and things like that. But by far the most important thing we can do is seek maximum employment and in doing so, you know, take account of all groups, all disparate demographic groups and not just the headline number.

Senator SMITH. And what about the relationship between low interest rates and how communities of color do? What is that relationship like? And how do you see that?

Mr. POWELL. Low interest rates support higher economic activity over time, and that supports lower unemployment—higher employment and lower unemployment. It also supports higher inflation. As the economy gets closer and closer to full employment and to full capacity, you will see inflation rise—a little bit, not a lot. So it is a virtue that over time helps everybody.

Now, in the short run, of course, if you are relying on interest on your bank account, it does not help you much there. But over the medium and longer term, it supports job growth and economic growth generally.

Senator SMITH. Thank you. Chair Powell, I appreciate that. I hope that you will continue to look at how—you know, keep workers, and especially low-wage workers and workers of color, in the forefront as you think about monetary policy as well as what we need to do on fiscal policy. So thank you.

Secretary Mnuchin, I wanted to follow up on something that I wrote to you about recently. I just received some information back from you late last night. This has to do with how the Treasury Department is working to get economic impact statements—or payments, pardon me, out to folks that are homeless. People in Minnesota and all over the country are living in shelters and encampments and cars. In fact, there is a large tent encampment just a block from where Archie and I live in Minneapolis, and those folks are not getting their economic impact payments.

So could you just tell me what you are doing? You said in the information I received last night that you have some special tools that you are working on. Of course, I know about your nonfilers website, but a lot of the folks that I am talking to do not have access to that website. So what are you doing, and especially what are we doing with this deadline that is approaching in just a few weeks?

Secretary MNUCHIN. Well, as I mentioned earlier on the deadline, we will go back and explore that and see what we can do.

Senator SMITH. I appreciate that.

Secretary MNUCHIN. But I think, as you have said, we need to help the homeless. I think the best way to do that is to work with community organizations that locally can help them and facilitate obviously for us to be able to do this.

Senator SMITH. And do you have any information about how many folks who are experiencing homelessness have been able to get their checks? Do you know how you are doing with the results, what results you are getting?

Secretary MNUCHIN. On that specific issue, I will follow up with your staff and try to get you some statistics.

Senator SMITH. OK. That would be helpful, because it is getting cold in Minnesota, and I do not know what is going to happen to those folks that are living—literally do not have a safe place to call home right now. Thank you.

Chairman CRAPO. Thank you. And I believe we have Senator Sinema with us by telephone only. Senator Sinema.

Senator SINEMA. Thank you, Chairman Crapo, and thank you to our witnesses for being here today.

While we saw positive job growth last month in Arizona, a significant part of those gains appear to be Government jobs we knew would return, specifically Arizona teachers returning to schools. Private sector job growth continues to be slow due in large part to the coronavirus' effect on business operations, consumer spending, and, most importantly, public health.

One of the emerging issues I am watching is housing. According to the Census Bureau's Household Pulse Survey, over 300,000 Arizona families missed their July rent payments. Two-thirds of those households are families with children. This experimental survey was last taken when Arizona was still providing an additional $600 per week of enhanced unemployment insurance. And now that that enhanced UI is no longer available, it is all but certain the situation has gotten worse. By the way, a reminder: Arizona's unemployment insurance tops out at $240 per week, the second lowest rate in the Nation.

When you cannot make rent, you risk getting evicted. The National Low Income Housing Coalition projects that 770,000 Arizonans will be at risk of eviction at the end of this year.

So, Secretary Mnuchin and Chairman Powell, thank you both for being here. Have either of you ever personally experienced eviction or foreclosure?

Secretary MNUCHIN. I fortunately have not, but let me just say we do support rental assistance. I have spoken to Chairman Crapo and others, and as part of potential legislation, we would look forward to working with you.

Mr. POWELL. For me, just a no, I have not.

Senator SINEMA. Well, as you may know, I was homeless for a number of years as a child, and I would not wish it on anyone. I know the challenges that Arizona families are facing right now, and it is an important perspective for people here in Washington to understand.

When I was in elementary school, you know, my Dad lost his job, and my parents got divorced. We lost our car and our home, and we were homeless for almost 3 years. We lived in an abandoned gas station without running water or electricity. Now, this might sound like an extraordinary story, but it is actually much more common than you would think. And it is something that millions of Americans could face in the coming months: receiving a notice of eviction or foreclosure and having your home taken from you, being forced to abruptly pack up all of your family's possessions, not knowing where you will go next. These are incredibly difficult and painful experiences, and they are hard to explain or understand unless you have been through them yourself. Too often politicians in Washington understand evictions and foreclosures as strictly economic events. But in Arizona, we know that losing your home does more than hurt your credit. It does more than jeopardize your financial standing. It takes away your dignity. It is personal, and at times it can seem like it is impossible to get back on your feet.

We have an interest in minimizing evictions whenever possible, but especially during a pandemic. And while the CDC recently acted to halt evictions until the end of the year, this decision simply prolongs the inevitable. Without some sort of rental assistance for families, it shifts the burden but provides no means of paying for it. And, unfortunately, Arizona's rental assistance, which was riddled for months with delays and bureaucracy, is now completely out of money. Arizona's situation will go from bad to worse if we see mass evictions and record homelessness during a public health crisis. This housing crisis could also destabilize our real estate market, hurt retail businesses by further depressing consumer spending, and tighten access to credit, all when Arizona families and businesses can least afford it.

So, Chairman Powell, if Congress fails to pass rental assistance and hundreds of thousands of Arizonans are evicted come January, do you anticipate that those evictions would have a positive or a negative impact on Arizona's economy?

Mr. POWELL. Clearly a negative impact.

Senator SINEMA. I agree, which is why I am working with Senators on this Committee to provide targeted rent, mortgage, and utility assistance to keep Arizonans safely housed during these challenges times, also working with industry partners and housing affordability advocates to build broad bipartisan support so that these proposals could be included in the next coronavirus relief package.

As we work to get businesses in our economy back on their feet—and I am pleased to have worked with a number of my Republican colleagues on these efforts—we cannot forget that families are struggling. We should have taken action months ago, and now the needs are more urgent than ever. Arizona families face tough choices right now, and it is time that Congress recognize these challenges and take action.

Thank you, Mr. Chairman, thank you, Ranking Member Brown. I call on us to find a solution for Arizonans and for families who are struggling across the country. I yield back.

Chairman CRAPO. Thank you, Senator Sinema.

That concludes the questioning for today's hearing. Senator Brown has asked for a minute or two to make an additional statement, and then we will wrap up the hearing. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman, for always giving me an opportunity at the end of a hearing to ask one more question of the witnesses and make a short statement.

I first want to thank Senator Sinema for bringing up the importance of rental assistance, and as you know, we have asked for $100 billion, which probably as the pandemic goes on barely covers the assistance we need.

A question, Mr. Secretary, for you briefly. I mentioned an article about how small businesses—it was in *ProPublica*—how small businesses in Cleveland are suffering while big corporations benefit from access to cheap loans. Did you read the article that we sent you?

Secretary MNUCHIN. I did. I looked at it very quickly on the way up. I did not have a chance to read the whole thing, but I saw it briefly.

Senator BROWN. OK. I hope you will—I know how busy I am. I know you are way more busy than almost any of us. I hope that you will pay some attention to how risky, overleveraged companies can benefit from a Government backstop while they lay off workers to keep prices up—keep profits up and bolster their stock prices. I hope you will read that and really take it to heart.

Just a statement in closing, Mr. Chairman. Thanks to both of you, and I agree that both of you—and I speak more obviously—I speak more to Chair Powell, but both of you are always responsive to Members of the Senate and to our staffs, so thank you for that.

Secretary Mnuchin, you and the President and the Fed Chair all agree we need a large, aggressive, comprehensive bill to keep the economy working. We cannot do it piecemeal. You know how this place works by now. It takes months to get a bill done. Families do not have that kind of time. It has been 6 months, as we know, since CARES passed. Mr. Secretary, you and the President need to bring Republican Senators to the table supporting your ideas and our ideas in a bigger package. Get your act together. Tell Mitch McConnell he needs to put—even if he has 20 people in his caucus that do not want to do anything, which Senator Van Hollen said, they need to put a serious bill forward, because we will get all the Democrats to work with half or so of the Republican caucus. If we do not get direct funding, as our witness last week said, with others, the Republican witnesses chiming in, we could have another Great Depression on the horizon. The stock market does fine, but Main Street businesses and restaurants are shutting down. Black and brown businesses in communities are taking a huge hit for the second time this decade. Airline executives are doing well. Airline workers, as Senator Cotton said, are facing job cuts. We can do better. It comes down to whose side are you on.

As you know, Mr. Secretary and Mr. Chairman, the Administration and many of my Republican colleagues have, frankly, not seen the country through the eyes of workers, which is so important, and they have not really tried. The House passed the HEROES Act in May. It has been June, July, August, September, almost all of September. The President should urge Senate Republicans to take it up or come up with their own comprehensive—not emaciated, not skinny but comprehensive package to help all working families. Thanks to the two of you for testifying.

Chairman Crapo, thanks for your indulgence always and cooperation.

Chairman CRAPO. Thank you. I have just been notified that one of our Senators, Senator Cramer, may be joining us remotely and would like to have an opportunity to ask his questions. If you are with us, Senator Cramer, please let us know, and you may ask your questions at this point.

[Pause.]

Chairman CRAPO. It sounds like Senator Cramer has not been able to make that connection, and so we will conclude the hearing.

I would just like to say in response to Senator Brown and to some of the other comments that have been made, there is a commitment on the part of the President, on the part of many of us in Congress to put a strong, fully effective relief package together. At this point I personally believe that we have not had the willingness from the other side to engage in a reasonable package and that the demands continue to be our way or the highway. And, frankly, I believe that there are many items that we have already reached agreement on or which we could reach agreement on very rapidly if we would take them up, if we had the willingness to simply take them up and do them individually. And so my hope is that while we continue to work on a meaningful comprehensive package, that we also recognize that we need to act and we need to act now, and there is a significant amount of good, solid relief that we can put forward rapidly if we can just get agreement to move forward to do what we can do and continue working on putting the rest of that package together.

I want to know if those electronic sounds mean that Senator Cramer has been able to join us. Senator Cramer, are you with us?

[No response.]

Chairman CRAPO. All right. With that, then that concludes today's hearing. For Senators who wish to submit questions for the record, those questions are due to the Committee by Thursday, October 1st. To each of the witnesses, we ask that you respond to those questions as promptly as you can. And, again, thank you for taking your time and for all of the effort that you have put forward in our response to this coronavirus crisis.

This hearing is adjourned.

Mr. POWELL. Thank you, Mr. Chairman.

Secretary MNUCHIN. Thank you.

Chairman CRAPO. Thank you.

[Whereupon, at 12:25 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO

Today we welcome our witnesses to this hearing: The Honorable Steven T. Mnuchin, Secretary of the Department of the Treasury; and The Honorable Jerome H. Powell, Chairman of the Board of Governors of the Federal Reserve System.

Today's witnesses will provide testimony as required under Title IV of the CARES Act.

Congress has appropriated nearly $3 trillion to protect, strengthen, and support Americans, to fight the pandemic, and also to stabilize the infrastructure of our economic system.

Title IV of the CARES Act provided a $454 billion infusion into the Exchange Stabilization Fund to support the Federal Reserve's 13(3) emergency lending programs and facilities that facilitate liquidity in the marketplace and support eligible businesses, States, municipalities, and tribes.

So far, approximately $195 billion of funds under Title IV of the CARES Act have been leveraged to provide trillions of dollars in liquidity back into the markets, supporting credit flow and helping to stabilize the economy, including through the: Primary Market and Secondary Market Corporate Credit Facilities; Term Asset-Backed Securities Loan Facility; Main Street Lending Program; and Municipal Liquidity Facility.

That leaves around $250 billion in funding remaining under Title IV of the CARES Act.

There has been significant interest in exploring ways that the Main Street Lending Program, which offers financial support to smaller and medium-sized businesses and nonprofits, can be improved to expand its access and utilization.

Earlier this month, the Banking Committee held a hearing on the status of 13(3) facilities where witnesses made the case for and provided recommendations to change the terms of the Main Street Lending Program to broaden its access and use, and to address the commercial real estate market.

In that hearing, Hal Scott, President of the Committee on Capital Markets Regulation, shared his view that, " . . . small and medium-sized businesses will need financial support for several years to recover from the impact of the COVID–19 pandemic."

He continued, "While our economy is improving, given the depth to which it fell, there is still a long way to go. Small business revenues continue to be well below prepandemic levels, and the recovery has stalled since July. A key part of this financial support should come from the Main Street Program authorized by the CARES Act."

In that same hearing, Jeff DeBoer, President and CEO of the Real Estate Roundtable, painted a bleak picture of the condition of the commercial real estate market.

He said, " . . . it is impacting their ability to meet their debt service obligations, which increases pressure on financial institutions, pension fund investors, and others."

And, " . . . it is pushing property values down to the detriment of local governments. It is causing much stress in pools for commercial mortgage-backed securities. It is threatening to result in countless commercial property foreclosures. The situation must be addressed."

In July, I sent a letter to each of you, Secretary Mnuchin and Chairman Powell, urging you to expand access to the Main Street Lending Program, including by setting up an asset-based lending program and addressing the commercial real estate market.

In addition to expanding the Main Street Lending Program, there has been meaningful interest in opportunities to allocate any remaining CARES Act funds.

In August, House Financial Services Committee Ranking Member McHenry and I sent a letter to the each of you urging you to implement the remaining funds under Title IV to work to the fullest extent, including by expanding the Main Street Lending Program, to further support Main Street businesses, their workers and the American economy.

The Federal Reserve's 13(3) facilities play a critical role in strengthening the economic recovery.

It is important to continually assess what areas of the economy and financial markets continue to be in need of support; and identify options for providing additional needed support, whether through expanding existing facilities or creating new facilities.

In July, I sent a letter to the Federal banking regulators urging each of them to extend and expand critical CARES Act relief where there is discretion, including relief for: The Community Bank Leverage Ratio to at least December 31, 2021; Troubled Debt Restructurings to at least January 1, 2022; and The Current Expected Credit Losses to at least January 1, 2023.

Since that letter, I have heard additional concerns from both banks and credit unions.

Not only have banks and credit unions experienced a significant inflow of deposits during this pandemic, but Congress also tasked them with supporting the economy, particularly through the Paycheck Protection Program.

Their role and these unique circumstances threaten to cause key regulatory thresholds to be breached and a ratcheting up of regulation that would otherwise not occur that could keep them on the sidelines.

The regulatory framework should account for these unique circumstances, and enable banks and credit unions to continue supporting the recovery.

Title IV also contains robust oversight provisions.

Section 4026 is what brings us here today, and it also established the Congressional Oversight Commission, which has held two public hearings and issued four reports to date, and the Special Inspector General for Pandemic Recovery, who has, to date, issued one report and continues its important work.

During today's hearing, I look forward to hearing: how the financial resources provided under the CARES Act have benefited the American people and economy; an update on the status of 13(3) emergency facilities, including an assessment of the opportunities for and need to expand the Main Street Lending Program; steps the Fed and Treasury have taken and will continue to take to provide transparency into the loans, loan guarantees, and other investments under the CARES Act; opportunities to utilize any remaining funds of the CARES Act to provide financial support and additional liquidity to the economy; and opportunities to tailor the regulatory framework to account for the unique circumstances of the pandemic and role of the financial institutions, and whether congressional action is needed.

Although there have been positive economic signs in recent months, Americans are continuing to still struggle with and feel the effects of the COVID–19 pandemic still need relief.

Unfortunately, Republicans' repeated efforts to deliver targeted relief in areas where we can agree has been rebuffed by Democrats.

Negotiating toward a realistic package that can actually get passed and signed into law would best serve the American people during this difficult time.

I appreciate the work of both Secretary Mnuchin and Chairman Powell in response to this horrible pandemic to support financial markets, businesses, and the economy.

Thank you to each of you for joining the Committee today.

PREPARED STATEMENT OF SENATOR SHERROD BROWN

Thank you, Chair Crapo. While I'm disappointed this hearing wasn't held fully remote, I'm glad to see masks in the hearing room. Chair Powell, I also want to thank you for your leadership in calling for a national mask mandate—something no other Republican I'm aware of has done. I know many of my colleagues cringe when they see these Trump rallies when they see people packed together, shouting and not wearing masks. We should be trying to stop this virus, not spread it.

Today, there are more people out of work than there were during the 2008 financial crisis. But you wouldn't know it from the way President Trump and Secretary Mnuchin act, as if we are through the crisis and well on the road to recovery. That's what happens when you only measure the health of the country by the stock market.

There continue to be almost 1,000 deaths per day from the coronavirus—that doesn't show up in the quarterly earnings reports. In 22 States, coronavirus cases are surging rather than receding, and scientists and public health experts predict it will only get worse as fall and winter begin.

Families are under unbearable stress—my colleagues know that. Most of you have children and grandchildren, trying to either educate their kids at home, or worrying as schools open without sufficient plans to protect kids and teachers and custodians and bus drivers. And that doesn't even include our sons and daughters at risk at colleges and universities.

But you wouldn't know any of that if you only looked at corporate profit forecasts.

This President and this Administration continue to act like everything is business as usual—because, for them, it is.

The coronavirus isn't really affecting them or their wealthy friends or their comfortable jobs. CEOs aren't the people working the cash registers or cleaning hospital beds—they aren't risking their lives every day to keep food on the table. Most CEOs don't live in the neighborhoods where Black and minority-owned restaurants and businesses are shutting down.

Think of the anxiety of an essential worker, and the stress she faces—think about coming home at night and worried you picked up the virus at work, and are bringing it home to your family.

Cleveland is always a pretty good barometer of where the country is heading.

Long before the Great Recession, our trade and tax policy essentially abandoned the industrial Midwest. Communities watched factory after factory close, with no plan to rebuild our local economies. Entire neighborhoods and entire towns hollowed out. My zip code, 44105, had the most foreclosures in the United States at the beginning of 2007. By the next year, thousands of cities across the country were suffering, as millions of families lost their homes. The story of our zip code became the story of the whole country, because the Government took care of Wall Street, it took care of the biggest banks—but it failed to take care of everybody else.

Just 10 years later, we have yet another crisis where Cleveland is a harbinger of what's happening across the country. *ProPublica* illustrated it pretty well recently—they covered a big company called TransDigm that has offices in downtown Cleveland. TransDigm has gotten plenty of help from the taxpayers to get through this pandemic—the company is borrowing money at record low-interest rates and it's collecting yet more tax breaks—while at the same time, it's laying off its workers. More than 3,000 workers in Cleveland are going to lose their jobs during a pandemic, while the company's executives keep making money. Their chairman made $60 million a year at last count.

And this is happening all over the country—Government help is readily available for big corporations, while small businesses struggle to survive, and workers are on their own.

Millions have lost their jobs. And at the beginning of August, they lost the $600 a week unemployment insurance, because of this President and my Republican colleagues. That $600 a week kept more than 12 million people out of poverty.

What are these families to do? How they are going to make rent or their mortgage payment next week on October 1st? You can't tell them, "oh go out and get a job." There are no jobs, because the President hasn't controlled the spread of the virus.

Millions of people are stuck inside their homes and are separated from loved ones to stay safe, trying to avoid contracting this disease. Black and brown communities, including Native American tribes, have been hit the hardest by the pandemic, but still don't have equal access to the Federal Reserve lending facilities or PPP loans.

We know that it would not have been this bad if the President had done his job. Imagine if instead of lying to us, the President had treated us like adults and leveled with the American people.

Imagine if he'd worn a mask and practiced social distancing. Imagine if he'd had a real plan to mobilize all of America's vast ingenuity and talent to scale up production of tests and PPE.

More small businesses would still be open right now and kids would still be in school and workers would still have their jobs and parents and grandparents would still be alive.

And now Americans are watching the stock market surge, and their President and his economic advisers saying the economy is great. They're wondering what great economy they are talking about.

The Ohioans I talk to—and anyone who actually understands economics—know workers are the foundation of our economy. And they know all too well what happens when you let Wall Street run things, and ignore Main Streets across this country.

Ohioans have watched for decades as factories closed, investment dried up, and storefronts were boarded over, in communities that once were thriving. They know what it's like to wake up one day, and realize the only jobs to be had are at a big-box chain for rock-bottom wages, with no health care, no paid sick days, and no power over your schedule.

Those Ohio workers know what it's like to be treated as expendable by corporations, and too often, by their own Government.

And remember—as goes Ohio, so goes the Nation. Americans are waking up, and realizing they have a President who thinks much of the country is expendable.

I know not everyone in Government feels that way. The Chairman of the Fed has said over and over that we need more action from Congress—more money to unemployed workers, more money for schools, more money to help families with their rent or mortgage—in short, we need the Government to actually lead, and use our country's vast resources to avoid a catastrophic recession.

In our last hearing in this Committee all of the expert witnesses, those chosen by the minority and those chosen by the majority, agreed on one thing—people need their Government to actually step in to support our families, something the Senate majority has failed to do.

It seems the only people who aren't getting that message are President Trump, Secretary Mnuchin, and Republican Senators.

It's not as if Republicans are not capable of taking action. Mitch McConnell moves heaven and earth to do huge favors for big corporations.

Look at the tax giveaway—we spent two trillion dollars making the richest people in our country richer. The President promised it would grow the economy, he promised it would pay for itself, he promised it would mean workers got a $4,000 raise. Of course, none of that happened.

It was incredibly unpopular, but Senator McConnell got all of his Republican Senators to vote for it.

Senator McConnell has made sure Trump's corporate judges are approved. He's bent over backwards to stack a Supreme Court that will gut the Affordable Care Act, rip away protections for preexisting conditions, and always side with corporations over workers.

Now we know he's even willing to reverse his own position to confirm yet another Supreme Court Justice.

When it comes to doing the bidding of Wall Street and the wealthy, Mitch McConnell can whip the Senate into action. He thinks everything else can wait.

Most Americans can't afford to wait any longer. We are up against a global health crisis that will spiral into a global economic crisis unless we act now. We are facing a challenge that requires this Government to be at its best, to work together to do big things.

We need an economic rescue package for everyone, help to keep families in their homes, and to protect workers at their jobs, help for seniors and veterans and students who are at risk. And we need it fast.

Democrats are ready to meet this moment. House Democrats passed the HEROES Act 5 months ago. President Trump and Senate Republicans move heaven and earth to help Wall Street and their wealthy friends—when will they be ready to do the same for everyone else?

PREPARED STATEMENT OF STEVEN T. MNUCHIN

SECRETARY, DEPARTMENT OF THE TREASURY

SEPTEMBER 24, 2020

Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am pleased to join you today to discuss the critical steps the Department of the Treasury and the Federal Reserve have taken over the last 6 months to provide economic relief for the American people, as well as to provide liquidity to credit markets, businesses, and households. We are fully committed to getting every American back to work as quickly as possible.

Economic Recovery

America is in the midst of the fastest economic recovery from any crisis in U.S. history. The August jobs report showed that the economy has gained back 10.6 million jobs since April—nearly 50 percent of all jobs lost due to the pandemic. The unemployment rate has also decreased to 8.4 percent, a notable achievement considering some people were expecting up to 25 percent unemployment at the height of the pandemic. Thanks to the programs provided through the CARES Act, we never got close to that figure.

I believe we will see tremendous third-quarter growth, fueled by strong retail sales, housing starts and existing home sales, manufacturing growth, and increased business activity. The September Blue Chip survey increased its projection for third-quarter GDP growth by 5.3 percentage points to 24 percent.

The recovery has been strong because the Administration and Congress worked together on a bipartisan basis to deliver the largest economic relief package in American history. The Federal Reserve has also been instrumental to the recovery by implementing 13 unique 13(3) lending facilities.

Economic reopenings, combined with the CARES Act, have enabled a remarkable economic rebound, but some industries particularly hard hit by the pandemic require additional relief.

Phase IV Relief

The President and I remain committed to providing support for American workers and businesses. We continue to try to work with Congress on a bipartisan basis to pass a Phase IV relief package. I believe a targeted package is still needed, and the Administration is ready to reach a bipartisan agreement.

Transparency

Treasury has been working hard to implement the CARES Act with transparency and accountability. We have released a significant amount of information to the public on our website, Treasury.gov, and on USAspending.gov. In many instances, we have released more information than what is required by the statute. The Federal Reserve has also posted information on its website regarding its lending facilities.

We have provided regular updates to Congress, with this marking my seventh appearance before Congress for a CARES Act hearing. Additionally, we are cooperating with various oversight bodies, including the new Special Inspector General for Pandemic Relief, the Treasury Inspector General, the Treasury Inspector General for Tax Administration, the new Congressional Oversight Commission, and the Government Accountability Office (GAO).

We appreciate Congress' interest in these issues and have devoted significant resources to responding to inquiries from numerous congressional committees and individual Members of Congress on both sides of the aisle. We remain committed to working with you to accommodate Congress' legislative needs and to further our whole-of-Government approach to defeating COVID–19.

Conclusion

I would like to thank the Members of the Committee for working with us to provide critical economic support to the American people. I am pleased to answer any questions you may have.

PREPARED STATEMENT OF JEROME H. POWELL

CHAIR, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SEPTEMBER 24, 2020

Chairman Crapo, Ranking Member Brown, and other Members of the Committee, thank you for the opportunity to update you on our ongoing measures to address the hardship wrought by the pandemic. The Federal Reserve, along with others across Government, is working to alleviate the economic fallout. We remain committed to using our tools to do what we can, for as long as it takes, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

Economic activity has picked up from its depressed second-quarter level, when much of the economy was shut down to stem the spread of the virus. Many economic indicators show marked improvement. Household spending looks to have recovered about three-fourths of its earlier decline, likely owing in part to Federal stimulus payments and expanded unemployment benefits. The housing sector has rebounded, and business fixed investment shows signs of improvement. In the labor market, roughly half of the 22 million payroll jobs that were lost in March and April have been regained as people return to work. Both employment and overall economic activity, however, remain well below their prepandemic levels, and the path ahead continues to be highly uncertain. The downturn has not fallen equally on all Americans; those least able to bear the burden have been the most affected. The rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.

A full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities. The path forward will depend on keeping the virus under control, and on policy actions taken at all levels of Government.

Since mid-March, we have taken forceful action, implementing a policy of near-zero rates, increasing asset holdings, and standing up 13 emergency lending facilities. We took these measures to support broader financial conditions and more directly support the flow of credit to households, businesses of all sizes, and State and local governments. Our actions, taken together, have helped unlock more than $1 trillion of funding, which, in turn, has helped keep organizations from shuttering, putting them in a better position to keep workers on and to hire them back as the economy continues to recover.

The Main Street Lending Program (Main Street) has been of significant interest to this Committee and to the public. Many of the businesses affected by the pandemic are smaller firms that rely on banks for loans, rather than public credit markets. Main Street is designed to facilitate the flow of credit to small and medium-sized businesses. In establishing the facility, we conducted extensive outreach, soliciting public comment and holding in-depth discussions with lenders and borrowers of all sizes. In response to feedback, we have continued to make adjustments to Main Street to provide greater support to small and medium-sized businesses and to nonprofit organizations such as educational institutions, hospitals, and social service organizations.

Nearly 600 banks, representing well more than half of the assets in the banking system, have either completed registration or are in the process of doing so. About 230 loans totaling roughly $2 billion are either funded or in the pipeline. Main Street is intended for businesses that were on a sound footing prepandemic and that have good longer-term prospects but which have encountered temporary cash flow problems due to the pandemic and are not able to get credit on reasonable terms as a result. Main Street loans may not be the right solution for some businesses, in part because the CARES Act states clearly that these loans cannot be forgiven.

Our credit facilities have improved lending conditions broadly, including for potential Main Street borrowers. The evidence suggests that most creditworthy small and medium-sized businesses can currently get loans from private-sector financial institutions.

Many of our programs rely on emergency lending powers that require the support of the Treasury Department and are available only in unusual circumstances. By serving as a backstop to key credit markets, our programs have significantly increased the extension of credit from private lenders. However, the facilities are only that—a backstop. They are designed to support the functioning of private markets, not to replace them. Moreover, these are lending, not spending, powers. Many borrowers will benefit from these programs, as will the overall economy, but for others, a loan that could be difficult to repay might not be the answer. In these cases, direct fiscal support may be needed.

Our economy will recover fully from this difficult period. We remain committed to using our full range of tools to support the economy for as long as is needed.

Thank you. I look forward to your questions.

Summary of Section 13(3) Facilities Using CARES Act Funding

The Municipal Liquidity Facility

The Municipal Liquidity Facility (MLF) helps State and local governments better manage the extraordinary cash flow pressures associated with the pandemic, in which expenses, often for critical services, are temporarily higher than normal and tax revenues are delayed or temporarily lower than normal. This facility addresses these liquidity needs by purchasing the short-term notes typically used by these Governments, along with other eligible public entities, to manage their cash flows. By addressing the cash management needs of eligible issuers, the MLF was also intended to encourage private investors to reengage in the municipal securities market, including across longer maturities, thus supporting overall municipal market functioning.

Under the MLF, the Federal Reserve Bank of New York lends to a special purpose vehicle (SPV) that will directly purchase up to $500 billion of short-term notes issued by a range of eligible State and local government entities. Generally speaking, eligible issuers include all U.S. States, counties with a population of at least 500,000 residents, cities with a population of at least 250,000 residents, certain multistate entities, and revenue-bond issuers designated as eligible issuers by their State governors. Notes purchased by the facility carry yields designed to promote private market participation—that is, they carry fixed spreads based on the long-term rating of the issuer that are generally larger than those seen in normal times. With funding from the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), the Department of the Treasury has committed to make a $35 billion equity investment in the SPV.

As of September 18, the facility had purchased two issues for a total outstanding amount of $1.7 billion.

The MLF has contributed to a strong recovery in municipal securities markets, which has facilitated a historic issuance of more than $250 billion of bonds since late March. State and local governments and other municipal bond issuers of a wide spectrum of types, sizes, and ratings have been able to issue bonds, including long maturity bonds, with interest rates that are at or near historical lows. Those municipal issuers who do not have direct access to the Federal Reserve under the MLF have still benefited substantially from a better-functioning municipal securities market.

The Main Street Lending Program

The Federal Reserve established the Main Street Lending Program (Main Street) to support lending to small and medium-sized businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID–19 pandemic and that have good longer-term prospects but which have encountered temporary cash flow problems due to the pandemic, and are not able to get credit on reasonable terms as a result. In addition to providing loans for borrowers in current need of funds, Main Street offers a credit backstop for firms that do not currently need funding but may if the pandemic continues to erode their financial condition.

Under Main Street, the Federal Reserve Bank of Boston has set up one SPV to manage and operate five facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), the Main Street Expanded Loan Facility (MSELF), the Nonprofit Organization New Loan Facility (NONLF), and the Nonprofit Organization Expanded Loan Facility (NOELF). The SPV will purchase up to $600 billion in Main Street loan participations, while lenders retain a percentage of the loans. Main Street loans have a 5-year maturity, no principal payments in the first 2 years, and no interest payments in the first year. Businesses with less than 15,000 employees or 2019 revenues of less than $5 billion are eligible to apply for Main Street loans. Available loan sizes span from $250,000 to $300 million across the facilities and depend on the size and financial health of the borrower. With funding from the CARES Act, the Department of the Treasury has committed to make a $75 billion equity investment in the SPV.

The business facilities (MSNLF, MSPLF, and MSELF) and nonprofit facilities (NONLF and NOELF) have broadly similar terms, but differ in their respective underwriting standards.

The business facilities use the same eligibility criteria for lenders and borrowers and have many of the same terms, while other features of the loans extended in connection with each facility differ. The loan types also differ in how they interact with the borrower's outstanding debt, including with respect to the level of precrisis indebtedness a borrower may have incurred. Similarly, the nonprofit facilities have many of the same characteristics, but some features of the loans extended in connection with each facility differ. Eligible lenders may originate new loans under MSNLF, MSPLF, and NONLF or may increase the size of existing loans under MSELF and NOELF.

Main Street became operational on July 6. The Federal Reserve and Treasury have modified the program several times to reflect extensive consultations with stakeholders. As of September 18, nearly 600 lenders representing more than half of U.S. banking assets have registered to participate in the program, and the program has purchased over $1 billion in participations.

Since Main Street became operational, the number of registered lenders and the amount of loan participations continue to increase. Program usage, will depend on the course of the economy, the demand for credit by small and medium-sized businesses, and the ability of lenders to meet credit needs outside the Main Street program. Demand for Main Street loans may increase over time if the pandemic continues to affect the ability of businesses and nonprofits to access credit through normal channels and as other support programs expire.

The Secondary Market Corporate Credit Facility

The Secondary Market Corporate Credit Facility (SMCCF) is designed to work alongside the Primary Market Corporate Credit Facility (PMCCF) to support the flow of credit to large investment-grade U.S. companies so that they can maintain business operations and capacity during the period of dislocation related to COVID–19. The SMCCF supports market liquidity by purchasing in the secondary market corporate bonds issued by investment-grade U.S. companies, U.S. companies that were investment grade before the onset of the pandemic and remain near-investment-grade, and U.S.-listed exchange-traded funds (ETFs) whose investment objective is to provide broad exposure to the market for U.S. corporate bonds.

Under the SMCCF, the Federal Reserve Bank of New York lends to an SPV that purchases in the secondary market both corporate bond portfolios in the form of ETFs and individual corporate bonds to track a broad market index. The SMCCF purchases ETF shares and corporate bonds at fair market value in the secondary market and avoids purchasing shares of ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio. The pace of purchases is a function of the condition of the U.S. corporate bond markets. With funding from the CARES Act, the Department of the Treasury has committed to make a $75 billion equity investment in the SPV for the PMCCF and SMCCF, with a $25 billion allocation toward the SMCCF.

The SMCCF staggered its launch of ETF and bond purchases in order to act as quickly and effectively as possible. Through ETF purchases beginning on May 12, the SMCCF provided liquidity to the corporate bond market relatively quickly. The Federal Reserve began direct corporate bond purchases under the broad market index purchase program on June 16. In its first week of bond purchases, the SMCCF was purchasing about $370 million per day. As of September 18, purchases have been slowed to a current daily pace of approximately $20 million of bonds and no ETFs, and the total SMCCF outstanding value has reached $12.8 billion.

The SMCCF's announcement effect was strong, quickly improving market functioning and unlocking the supply of hundreds of billions of dollars of private credit. Since late March, more than $800 billion in corporate bonds have been issued without direct Government or taxpayer involvement. The SMCCF has materially reduced its pace of purchases over the past few months as a result of the substantial improvements in the functioning of the U.S. corporate bond markets. The pace of purchases going forward will continue to be guided by measures of market functioning, increasing when conditions deteriorate and decreasing when conditions improve.

The Primary Market Corporate Credit Facility

The Primary Market Corporate Credit Facility (PMCCF) is designed to work alongside the Secondary Market Corporate Credit Facility (SMCCF) to support the flow of credit to large investment-grade U.S. companies so that they can maintain business operations and capacity during the period of dislocation related to COVID–19. The PMCFF supports market liquidity by serving as a funding backstop for corporate debt.

Under the PMCCF, the Federal Reserve Bank of New York lends to an SPV. The SPV will purchase qualifying bonds and syndicated loans with maturities up to 4 years either as the sole investor in a bond issuance or as a participant in a loan or bond syndication at issuance, where the facility may purchase a maximum of 25 percent of the syndication. With funding from the CARES Act, the Department of the Treasury has committed to make a $75 billion equity investment in the SPV for the PMCCF and SMCCF, with a $50 billion allocation toward the PMCCF.

As of September 18, there have not been any PMCCF transactions, nor have any indications of interest been received.

The dual announcement of the SMCCF and PMCCF was well received by the market. Between March 23 and April 6, credit spreads for investment-grade bonds declined substantially. While the PMCCF has not purchased any bonds since it opened, it serves as a backstop should markets enter another period of stress.

The Term Asset-Backed Securities Loan Facility

The Term Asset-Backed Securities Loan Facility (TALF) supports the flow of credit to consumers and businesses by enabling the issuance of asset-backed securities (ABS) guaranteed by newly and recently originated consumer and business loans.

Under the TALF, the Federal Reserve Bank of New York lends to an SPV. The SPV will make up to $100 billion of 3-year term loans available to holders of certain triple A-rated ABS backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), and certain other assets. The Federal Reserve lends an amount equal to the market value of the ABS less a haircut and the loan is secured at all times by the ABS. With funding from the CARES Act, Treasury has committed to make a $10 billion equity investment in the SPV.

As of September 18, the TALF has extended $2.9 billion in loans since its launch on May 20. Loans have been collateralized by SBA-guaranteed ABS, commercial mortgage-backed securities (CMBS), and premium—finance and student—loan ABS.

The announcement and presence of the TALF has helped improve substantially liquidity in the ABS markets, including those for CMBS and collateralized loan obligations, with spreads in some ABS sectors returning close to normal levels. The TALF interest rates are attractive to borrowers when market conditions are stressed, but not in normal conditions. While the facility is authorized to extend up to $100 billion in loans, total take-up will likely be much less unless ABS market conditions worsen.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM STEVEN T. MNUCHIN

Q.1. Congress gave Treasury and the Fed billions of dollars in CARES Act money to support Main Street businesses, States, and local governments, and their workers. But instead of setting up programs that protect jobs and get money to the businesses and localities and tribes that need it most, Treasury has made it too difficult and only a tiny fraction of the funds have been used. Meanwhile, Treasury has been all too eager to approve programs that help the biggest corporations without requiring them to keep and pay their employees. How many workers at companies that benefited from any of the emergency programs established by Treasury and the Federal Reserve have lost their jobs between March 15, 2020 and September 30, 2020?

A.1. The recovery has been strong because the Administration and Congress worked together on a bipartisan basis to deliver the largest economic relief package in American history. The Federal Reserve has been instrumental to the recovery by implementing 13 unique lending facilities under section 13(3) of the Federal Reserve Act. The economic reopening combined with the Coronavirus Aid, Relief, and Economic Security (CARES) Act have enabled us to have an economic rebound, but some industries particularly hard hit by the pandemic require additional relief.

The Chairman of the Federal Reserve and the Secretary executed the first facilities even before the CARES Act was passed when the markets were literally shut down. These were emergency facilities intended to stabilize the markets and, in a best scenario, not to be drawn upon. In many cases, the mere announcement of the commitments unlocked the capital markets. With the Main Street Lending Program, which is targeting the private lending market for small and medium-sized businesses, borrowers must certify that they will make commercially reasonable efforts to retain employees during the term of the Main Street loan. Specifically, borrowers committed to undertake good-faith efforts to maintain payroll and retain employees, in light of its capacities, the economic environment, its available resources, and the business's need for labor. The President and Secretary remain committed to providing support for American workers and business. We continue to work with Congress on a bipartisan basis to pass a phase 4 relief program. We believe that a targeted package is still needed, and the Administration is ready to reach a bipartisan agreement.

Q.2. Many companies, without additional funding, may not make it through the pandemic, ensuring many jobs won't exist a year or two from now. What can Treasury do for workers at companies that don't qualify for the Main Street Lending Facilities but also do not qualify for a PPP loan?

A.2. Treasury looks forward to working with Congress on a bipartisan basis to continue to provide much-needed relief to businesses across the country.

Q.3. According to a recent Brookings Institute study, as many as 1.5 million State and local government employees have been laid off since the beginning of the COVID–19 crisis. [1] This is more State and local government jobs than were lost in the entire financial crisis and ensuing recession. [2] Yet, Treasury and the Federal Reserve's pricing terms and requirements for the Municipal Liquidity Facility have been too high and onerous for municipalities to participate. To what extent will this have a disproportionate impact on black, brown, and female workers, which make up a significant part of the public sector workforce? What does Treasury plan to do to mitigate these impacts?

A.3. Consistent with section 4003 of the CARES Act, the purpose of the Municipal Liquidity Facility is to ensure that State and local governments, and the financial system that supports them, have access to liquidity. Following the expansion of the Money Market Mutual Fund Liquidity Facility and the launch of the Municipal Liquidity Facility, market access for State and local government borrowing normalized after March, and primary market borrowing costs fell substantially. With the Municipal Liquidity Facility serving as an effective backstop, the municipal bond market is now allowing State and local governments ready access to liquidity at historically low rates to finance their operations as they see fit. Neither market rates nor Municipal Liquidity Facility rates are onerous, and the Municipal Liquidity Facility reduced its rates on August 11 to ensure it continued to be an effective backstop to the market.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM STEVEN T. MNUCHIN

Q.1. I'm worried about the long-term implications of the Federal Government's elevated spending levels. A few weeks ago, you told CNBC that "Now is not the time to worry about shrinking the deficit." When is that time, and why?

A.1. We are currently facing a large, negative output gap, still-elevated unemployment levels, and historically low interest rates. However, these circumstances will not last forever, and as the economy recovers the output gap will get closer to zero, unemployment will converge toward its natural level, and interest rates may normalize; as these occur, the critical role of deficit reduction will be more evident.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TILLIS FROM STEVEN T. MNUCHIN

Q.1. The renewable energy sector, and in particular solar energy, is suffering significantly from the COVID–19 pandemic. I recently led a letter of support that a number of my colleagues signed highlighting the need for help for renewables whose projects have been put on hold on and where jobs have been lost. I have heard from a number of solar energy companies in North Carolina that they desperately need the ability to monetize the Investment Tax Credit

[1] *https://www.brookings.edu/blog/the-avenue/2020/08/03/state-and-local-governments-employ-the-highest-share-of-essential-workers-congress-is-failing-to-protect-them/*

[2] *https://www.epi.org/blog/without-federal-aid-many-state-and-local-governments-could-make-the-same-budget-cuts-that-hampered-the-last-economic-recovery/*

(ITC) in order to save numerous projects that came to a halt because of the pandemic. Can you commit to helping these clean energy companies?

A.1. As you know, on May 27, 2020, Treasury and the IRS issued Notice 2020-41, which extends for 1 year the ITC continuity safe harbor for solar energy projects on which construction began in 2016 and 2017, and also provides relief for projects relying on the 3½ month rule to start construction. At this time, we are continuing to monitor the impacts of COVID–19 on these projects and will consider additional extensions or modifications as appropriate.

Q.2. A number of small and medium-sized businesses in North Carolina are suffering due to COVID–19 related cutbacks in Trade Credit Insurance (TCI). They tell me that providers of TCI have significantly reduced coverage, which is making it difficult for them to make sales and raise working capital. They also tell me they could hire more people if the U.S. Government established a backstop program that would enable the TCI industry to restore coverage. Can you report back what you are doing regarding this problem? Are you willing to expand any of your existing programs or establish new programs to help restore TCI coverage and help businesses in my State?

A.2. Treasury is monitoring TCI issues for small businesses and other companies and looks forward to working with you and other stakeholders to help respond to the challenges created by the COVID–19 global pandemic.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM STEVEN T. MNUCHIN

Q.1. During our exchange at the hearing, you committed to reviewing the terms of the Main Street program to identify what changes could strengthen minority-owned business participation and share that analysis with me. However, in response to questions from the Congressional Oversight Commission at an August 7th hearing, the Federal Reserve indicated that it, "does not plan to collect information on the minority status of borrowing entities." I believe collecting data on whether small businesses are accessing the Main Street program is critical to understanding whether minority businesses are using the program and to properly modify the program so as ensure minority businesses are benefiting from the program.

As part of reviewing the terms of the Main Street program, will Treasury commit to collect data on the minority status of borrowing entities?

A.1. We recognize the importance of minority-owned businesses play in the economy during normal times and in the recovery from the pandemic. The Main Street Lending Program is designed to help credit flow to small and medium-sized for-profit businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID–19 crisis and have good postpandemic prospects, but now need loans to help maintain their operations until they have recovered from, or adapted to, the impacts of the pandemic. We continue to explore options for adjusting the Program to meet the needs of more small and medium-sized businesses and minority-owned businesses, and on October 30, 2020, reduced the minimum loan size for three Main Street facilities available to for-profit and nonprofit borrowers from $250,000 to $100,000, as well as adjusting the fees to encourage the provision of these smaller loans. We are committed to supporting access to credit for businesses that were in sound condition prior to the pandemic. We will continue to monitor credit conditions for small and minority-owned businesses to determine if additional adjustments to the Program are needed.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM STEVEN T. MNUCHIN

Q.1. Do you support changes to the Municipal Liquidity Facility to offer terms at least as good—such as lower interest rates, deferred interest—as those offered in the Main Street Lending Programs?

A.1. Treasury does not currently believe the terms of the Municipal Liquidity Facility should be changed. The primary market is functioning properly with historically low rates in large part because the Municipal Liquidity Facility established a backstop. State and local governments that seek bond financing are able to issue new money or refund securities to meet their borrowing needs. In the absence of market dislocation, there is not a policy need for public credit to displace readily available private credit.

Q.2. Do you support the language in the HEROES Act that lowers the Municipal Loan Fund's interest rates to match the Fed Funds Rate?

A.2. Treasury believes that the municipal market's recovery, with the Municipal Liquidity Facility operating as an effective backstop, already provides market access to issuers at rates that are still historically low. It is not currently necessary to reduce the facility rates further.

Q.3. How does current law prevent Treasury Department from making changes to better assist asset-based businesses?

A.3. We recognize that, for asset-based borrowers, collateral values or other factors are more indicative of the ability to obtain credit than are cash flows, which underpin the existing Main Street Lending Program borrower requirements. Our outreach and monitoring indicate that some asset-based borrowers are seeing a decline in their access to credit. However, these borrowers appear to be largely in sectors with declining collateral values or deteriorating longer-run prospects; a lending program may not be able to address such problems. Federal Reserve and Treasury staff continue to monitor lending conditions broadly to assess the efficacy of existing facilities. And we remain alert to the possibility that conditions may warrant changes to the terms and conditions of the Federal Reserve's emergency lending programs.

Q.4. Does Treasury plan to implement any extensions to the Coronavirus Relief Fund timeline or changes to eligibility?

A.4. Treasury does not have administrative authority to extend the period during which eligible Coronavirus Relief Fund expenses must be incurred. Section 601(d)(3) of the Social Security Act (added by Title V of the CARES Act) requires eligible expenses to be incurred by December 30, 2020. Treasury continues to respond to questions from recipients regarding the eligible use of funds.

Q.5. How does Treasury plan to ensure that future business support programs reach businesses that have fewer resources and ability to apply?

A.5. Treasury looks forward to working with Congress on a bipartisan basis to continue to provide much-needed relief to businesses across the country.

Q.6. Will you open the aviation lending program to new applicants if all the funds are not allocated?

A.6. Section 4003(a) of the CARES Act authorizes the Department of the Treasury to make loans, loan guarantees, and other investments to provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus. Section 4003(b)(1) provides up to $25 billion for loans to passenger air carriers and certain other eligible businesses; Section 4003(b)(2) provides up to $4 billion for loans to cargo air carriers. Treasury received approximately 200 applications and has worked as quickly and transparently as possible to review each loan application, conduct necessary due diligence, and finalize transaction documentation. At this time, Treasury does not intend to reopen applications for passenger air carriers, cargo air carriers, and other eligible businesses.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES FROM STEVEN T. MNUCHIN

Q.1. *Economic Impact Payments*—As we discussed in the hearing, nearly nine million Americans and 150,000 Alabamians still have not received their $1,200 stimulus checks, 7 months after the CARES Act passed.

There is an October 15, 2020, deadline to receive a stimulus check and during the hearing I asked if you'd be willing to push that date until December.

Was the Treasury Department and the Internal Revenue Service able to allow for more time and change the deadline to December to allow for Americans who have not received a stimulus payment to apply through the nonfiler portal on the IRS website?

A.1. The deadline to register for an Economic Impact Payment (EIP) using the Internal Revenue Service's (IRS's) nonfiler portal has been extended to November 21, 2020. This new date will provide an additional 5 weeks beyond the original deadline. This additional time is solely for those who have not received their EIP and do not normally file a tax return. If they miss the Nov. 21 deadline, they can still claim this by filing a 2020 tax return early next year. For taxpayers who requested an extension of time to file their 2019 tax return, that deadline date remains October 15.

Q.2. *Paycheck Protection Program (PPP)*—Demographics: Last May, I asked about if you'd work with the SBA Administrator to require the collection of demographic information by banks who made PPP loans. In response, you decided to make it optional.

According to the Center for Responsible Lending, little of the $659 billion funding for the Paycheck Protection Program made it to Latino and Black-owned businesses, despite being the communities hit hardest by the crisis.

If the Paycheck Protection Program is reinstated, will you require demographic information be collected?

A.2. Treasury and the Small Business Administration (SBA) are committed to implementing the CARES Act with transparency and accountability. Information regarding approved PPP loans and program participation is regularly provided on our websites. Updated information was posted after the program closed to new loan applications on August 8, 2020. Treasury and SBA are working to gather additional information on program participants. The PPP Loan Forgiveness Application Form 3508S, 3508, and Form 3508EZ all request voluntary disclosure of veteran status, gender, race, and ethnicity from loan recipients.

Q.3. Outreach to Underserved Communities: At the hearing in May, you said you were committed to serving the "underserved communities with the money you have left" in the Paycheck Protection Program. What did the Treasury Department and Small Business Administration do to follow through on ensuring that underserved communities were helped in getting PPP funds?

A.3. Treasury shares your interest in making the Paycheck Protection Program (PPP) available to as many of America's job creators and their employees as feasible and expects that participating lenders will not discriminate against borrowers that are otherwise eligible under PPP rules.

Since enactment of the CARES Act, Treasury and SBA have worked closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, Community Development Financial Institutions (CDFIs), and Minority Depository Institutions (MDIs)—to ensure the broadest possible segment of small businesses can access the PPP. Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders.

An important focus of our efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than 2 years, all benefited from the PPP.

On July 30, 2020, Treasury and SBA participated in a roundtable discussion with executives from MDIs; the discussion focused on the MDIs' experiences as lenders in the PPP, including their work to serve small businesses in low- and moderate-income communities. As of August 8, 2020, when the PPP closed to new loan applications, 432 MDIs and CDFIs had participated from across the country, providing over 221,000 loans for more than $16.4 billion. The program resulted in $133 billion provided to businesses in Historically Underutilized Business Zones, accounting for more than 25 percent of all PPP funding.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM STEVEN T. MNUCHIN

Q.1. As you know, the commercial mortgage-backed security (CMBS) market is under extreme pressure due to this pandemic. Collapse of this market would be disastrous to Arizona communities that rely on tourism and to the State pension funds, endowments, retirement funds, college funds, and other investment income tools that rely on the market. You have repeatedly indicated it is not within your authority under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to create a lending facility for CMBS borrowers.

Can you expand on your authority as it relates to creating a new tailored facility?

A.1. Section 4003(b)(4) of the CARES Act authorizes Treasury to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities. Treasury continues to work with the Federal Reserve to assess the efficacy of facilities established under the Federal Reserve's 13(3) emergency lending authority. Treasury does not have plans at present to establish a new facility. Treasury continues to monitor the market conditions for commercial real estate, including for those borrowers whose loans are held in CMBS.

Q.2. Is it the market conditions that do not warrant changes, or are you unable to make changes due to your authority or structural limitations?

A.2. Treasury's authorities under 4003(b)(4) of the CARES Act are primarily to facilitate the functioning of credit markets by providing funds to support lending facilities established by the Federal Reserve. These facilities provide liquidity to the financial system and facilitate lending to a broad base of businesses and nonprofit organizations.

Q.3. What other relief options are available to CMBS borrowers, such as Arizona hoteliers?

A.3. Treasury continues to monitor CRE markets and to work within its authorities to support households and businesses impacted by the COVID–19 emergency. Data presently indicates that an increasing number of distressed CRE borrowers whose loans are held in CMBS have been granted temporary loan forbearance, while many others have forbearance requests under review by special servicers. CRE servicers can work with investors to develop solutions for properties based on the unique circumstances of each borrower.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM JEROME H. POWELL

Q.1. Congress gave Treasury and the Fed billions of dollars in CARES Act money to support Main Street businesses, States and local governments, and their workers. But instead of setting up programs that protect jobs and get money to the businesses and localities and tribes that need it most, Treasury has made it too difficult and only a tiny fraction of the funds have been used. Meanwhile, Treasury has been all too eager to approve programs that help the biggest corporations without requiring them to keep and pay their employees. How many workers at companies that benefited from any of the emergency programs established by Treasury and the Federal Reserve have lost their jobs between March 15, 2020, and September 30, 2020?

A.1. Our purpose in undertaking the emergency lending facilities was to support the availability of credit to households, businesses, and State and local governments, and to create an environment in which employers can maintain their operational capacity so they can maintain and restore payroll. A key component to this strategy was to restore liquidity to markets and facilitate lending to small and medium-sized businesses.

The Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF) were established to support employment and spending of large, high credit quality businesses. The stabilization of the corporate bond market since March 2020 has helped large employers to finance their operations effectively and to maintain employment and payroll levels. Economic activity and employment have continued to recover, although at a more moderate pace than in the late spring and early summer 2020.

Due to the broad effects that the emergency facilities have had on the U.S. economy, it is impossible to quantify their exact effect on employment. However, after precipitous drops in March 2020 and April 2020, and the announcement of the emergency lending facilities, employment rose sharply during the second half of 2020. As a result, of the roughly 22 million jobs that had been lost, around half had been regained as of the January 2021 payroll report. Job gains have slowed somewhat in recent months as restrictions tightened in response to a surge in COVID–19 cases. The unemployment rate has also fallen significantly in recent months and was 6.3 percent in January 2021, well below the peak of 14.7 percent in April 2020. These figures show both how much improvement the labor market has seen since April 2020, and also how much further improvement is needed.

COVID–19 has had a severe and lasting impact on many sectors of the economy. Many of those suffering permanent job loss are in industries that have been adversely affected by COVID–19 and are likely to continue to struggle. Over time, a process of reallocation will unfold and new opportunities will open up. However, this process may take some time. In support of our dual mandate of maximum employment and price stability, the Federal Reserve is dedicated to using its full range of tools to preserve the productive capacity of the U.S. economy and create an environment in which the millions of Americans who have lost work have the best chance to return to their old jobs or find new ones.

Q.2. Many companies, without additional funding, may not make it through the pandemic, ensuring many jobs won't exist a year or two from now. What can the Federal Reserve do for workers at companies that don't qualify for the Main Street Lending Facilities but also do not qualify for a PPP loan?

A.2. The Main Street Lending Program (Main Street) was established to support lending to small and medium-sized for-profit businesses and nonprofit organizations that were in sound financial condition before the onset of COVID–19. To meet the needs of a broad range of borrowers and lenders and to make the program more accessible to a greater number of businesses, the minimum loan size for Main Street loans in three of the five facilities was reduced from $250,000 to $100,000 on October 30, 2020. In addition to lowering the minimum loan size, the Federal Reserve increased the fees that lenders may receive for originating and servicing loans with a principal amount of $100,000 to $250,000 in recognition of the higher relative costs associated with such loans. The increased fees paid to lenders did not result in higher fees charged to borrowers, as fees paid to and by the SPV were redirected to lenders.

As you know, in accordance with section 1005 of the Consolidated Appropriations Act, 2021, Main Street ceased extending credit on January 8, 2021.

Q.3. Do FOMC projections of GDP and unemployment assume additional fiscal aid or do they assume current conditions? Can you describe the short-term and long-term impact on those measures if Congress does not provide additional fiscal stimulus?

A.3. The Summary of Economic Projections (SEP), most recently released in December 2020, are a compilation of the projections of each of the members of the Federal Open Market Committee (FOMC). The individual projections, are based on each member's views of appropriate monetary policy as well as their views of the underlying condition of the economy, likely fiscal policy actions, foreign economic developments, and a host of other factors that may affect macroeconomic outcomes.

Consequently, projections of gross domestic product (GDP) growth and the unemployment rate highlighted in the SEP were based on a range of assumptions regarding fiscal aid. The December 2020 FOMC Minutes do not indicate whether members had built in additional fiscal aid into their projections, but the Minutes do indicate financial markets were expecting action on fiscal policy and that some participants thought that past measures had "provided essential support to many households" and that additional aid would "help businesses weather the ongoing surge in the pandemic."

My own view is that the support provided by fiscal policy has been absolutely essential to replace the income lost by the many millions who have been out of work due to the pandemic, support small businesses that are trying to make it to the other side of the pandemic, and State and local governments that provide critical services.

Q.4. According to a recent Brookings Institute study, as many as 1.5 million State and local government employees have been laid off since the beginning of the COVID–19 crisis.[1] This is more State and local government jobs than were lost in the entire financial crisis and ensuing recession.[2] Yet, Treasury and the Federal Reserve's pricing terms and requirements for the Municipal Liquidity Facility (MLF) have been too high and onerous for municipalities to participate. To what extent will this have a disproportionate impact on black, brown, and female workers, which make up a significant part of the public sector workforce? What changes can the Federal Reserve make to the MLF to mitigate these impacts?

A.4. The purpose of the Municipal Liquidity Facility (MLF) was to enhance the liquidity of the primary short-term municipal securities market through the purchase at issuance of Tax Anticipation Notes (TAN), Tax and Revenue Anticipation Notes (TRAN), Bond Anticipation Notes (BAN), Revenue Anticipation Notes (RAN), and similar short-term notes from eligible issuers. Following the announcement and implementation of the MLF, conditions in the municipal bond market improved, with spreads on general obligation bonds steadily decreasing and primary issuance activity picking. By supporting the smooth functioning of the municipal securities market after the onset of the pandemic in the U.S., the Federal Reserve helped private markets provide significant amounts of credit to municipal bond issuers, thereby supporting communities across the Nation.

The Federal Reserve recognizes the important role minority and female workers play in the economy as a whole, and public sector in particular. It is important to note, however, that our monetary policy tools and emergency facilities are not designed to target particular groups of people or communities. Rather, the way in which the Federal Reserve can best contribute to addressing these problems is through the steadfast pursuit of its statutory mandate to secure maximum employment and price stability. This promotes a stable, prosperous backdrop against which more targeted actions by Congress and the Administration are likely to be most effective.

Q.5. In the June 2020 *Monetary Policy Report*, the Federal Reserve found that this economic crisis is having a devastating impact on economic inequality. Job losses are significantly greater among low-income workers and communities of color. Federal Reserve data show that high-wage workers had lost only a few percentage points of employment while low- wage workers had seen declines in employment of 40 percent or more. Three months later, workers are still struggling and we are facing an eviction and foreclosure crisis.

Please provide the most recent Federal Reserve data on the impact of this recession on economic and racial inequality.

Please explain how the Treasury and the Federal Reserve plan to use the remaining hundreds of billions in CARES Act equity to protect jobs and address economic and racial inequality.

[1] *https://www.brookings.edu/blog/the-avenue/2020/08/03/state-and-local-governments-employ-the-highest-share-of-essential-workers-congress-is-failing-to-protect-them/*

[2] *https://www.epi.org/blog/without-federal-aid-many-state-and-local-governments-could-make-the-same-budget-cuts-that-hampered-the-last-economic-recovery/*

To what extent have the lending and bond purchase programs exacerbated inequality by fueling a boom in financial markets without corresponding support for employment and incomes among workers?

A.5. As you note, the June 2020 *Monetary Policy Report* contained estimates of employment losses for groups of workers classified by their pre-COVID–19 wage levels; these estimates were produced by the Federal Reserve Board (Board) staff using data from the payroll processor ADP. Using more recent ADP data, we continue to find that employment losses have been largest among jobs at the bottom of the distribution of wages. Specifically, the latest data show that, for jobs in the bottom quartile of the pre-COVID–19 wage distribution, employment as of early January 2021 was still nearly 20 percent lower than it was in February 2020. For jobs in the two highest paying quartiles, by comparison, employment was about 5 percent below pre-COVID–19 levels.

While the ADP data do not contain information on worker race or ethnicity, the effects of COVID–19 on inequality across racial or ethnic groups can be seen in the official employment statistics published by the Bureau of Labor Statistics (BLS). For example, BLS data through January 2021 show that the employment-to-population ratio for prime-age white workers was 4.1 percentage points lower in January 2021 than in February 2020. (The prime-age category is defined to include workers who are 25 to 54 years old.) The corresponding decline in the prime-age employment-to-population ratio for African American workers over this period was 5 percentage points, and for Hispanic workers it was 6.8 percentage points.

The emergency facilities created under section 13(3) of the Federal Reserve Act have generally served to unlock credit markets, allowing borrowers access to the credit they need to finance their operations and maintain their payrolls. Several of these facilities, including the PMCCF, SMCCF, MLF, Main Street, and the Term Asset-Backed Securities Loan Facility (TALF) were supported using funds allocated to the U.S. Department of the Treasury (Treasury) in section 4003 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These facilities expired on December 31, 2020, following the Treasury's decision not to extend them. Remaining funds were returned to the Treasury. As Congress originally decided to allocate these funds under section 4003, any decision to reallocate these funds is also for Congress.

The Federal Reserve is committed to using its full range of tools to foster a strong, broad-based economic recovery that benefits our Nation as a whole. It is important to note, however, that these tools cannot address the underlying causes of racial injustice or income and wealth inequality. Rather, the way in which the Federal Reserve can best contribute to addressing these problems is through the steadfast pursuit of its statutory mandate to secure maximum employment and price stability. This promotes a stable, prosperous backdrop against which more direct actions by Congress and the Administration are likely to be most effective. It is not my role to recommend particular actions outside the realm of monetary policy, but I strongly support efforts by Congress and the Administration to promote racial and economic justice.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM JEROME H. POWELL

Q.1. My understanding is that the net stable funding ratio (NSFR) may be finalized before the end of the year. Some argue that the proposed 2016 NSFR was based on flawed cost-benefit analysis, miscalculated the impact of the rule on the financial system, differed materially from other countries, and could have increased volatility in the Treasury market in September 2016 and last March. Will the Federal Reserve address these issues in the U.S. implementation of the NSFR rule, and if so, how?

A.1. The Federal banking agencies finalized the net stable funding ratio (NSFR) rule on October 20, 2020. As a measure of the medium-term funding health of banks, the NSFR final rule will complement and reinforce the liquidity coverage ratio (LCR) rule, which addresses the risk of short-term cash outflows in an acute period of stress.

The final rule includes several changes relative to the proposal issued in 2016 based on further analysis and public input on the proposal. We have tailored the scope of the NSFR final rule in light of the Economic Growth, Regulatory Reform, and Consumer Protection Act to align with the tailored scope of application under the LCR rule because the two requirements are designed to work together. Specifically, the final rule tailors the stringency of the requirements based on a bank's risk profile, with the most stringent requirements for the largest and most complex banks and less stringent requirements for banks with less risk.

In a change from the proposal, the final rule reduces the stable funding requirements to zero for Treasury securities and certain secured loans backed by Treasury securities. Carefully weighing the micro- and macro-prudential benefits of a nonzero stable funding requirement for these assets, the final rule does not impose additional costs on banks and thus avoids creating potential disincentives for them to participate in these key financial markets. Additional changes from the proposal include greater recognition of variation margin in derivatives transactions, of the stability of certain affiliate sweep deposits, and of nondeposit retail funding.

The impact analysis in the NSFR final rule improves on the impact analysis in the proposal by comprehensively covering intermediate holding companies of foreign banks. Based on data from regulatory reports, as of the second quarter of 2020, nearly all banks subject to the NSFR final rule would have had sufficient stable funding to meet minimum NSFR requirements. As of that date, in aggregate, banks held a surplus of about $1.3 trillion over their estimated NSFR requirements. We estimate that, among all banks that would have had an NSFR shortfall in that quarter, the total expected shortfall would have been between $10 and $30 billion of stable funding. This amount is small relative to the total stable funding of these banks.

Q.2. At the beginning of the year, the possibility of reviewing the Federal Reserve's supervisory process to improve its transparency was raised. I was pleased to see this because supervisory guidance should never act like a rule and impose binding constraints on banking organizations. Can you elaborate on the Federal Reserve's plan to provide more transparency and adhere to the rule of law for supervisory guidance? What is the timeline for completing this process?

A.2. On October 20, 2020, the Federal banking regulatory agencies invited comment on a proposal outlining and confirming the use of supervisory guidance for regulated institutions. The proposal would codify, as amended, a statement issued in September 2018 by the agencies that clarified the differences between regulations and guidance. Unlike a law or regulation, supervisory guidance does not have the force and effect of law, and we do not take enforcement actions or issue supervisory criticisms based on noncompliance with supervisory guidance. Rather, supervisory guidance outlines supervisory expectations and priorities, or articulates views regarding appropriate practices for a given subject area. Further, supervised institutions at times request supervisory guidance, and such guidance is important to provide insight on supervisory perspectives and practices to industry and supervisory staff in a transparent way that helps to ensure consistency in supervisory approach. The proposal indicates that supervisory criticisms (matters requiring attention or matters requiring immediate attention) should continue to be specific as to practices, operations, financial conditions, or other matters that could have a negative effect on the safety and soundness of the financial institution, could cause consumer harm, or could cause violations of laws, regulations, final agency orders, or other legally enforceable conditions. Comments on the proposal were accepted through January 4, 2021, and staff are carefully considering those comments as we draft the final rule.

Q.3. When will the Federal Reserve update its scoping mechanisms for SR letters, stress testing (e.g., CCAR's global market shock and large counterparty default), recovery and resolution planning, and other supervisory exercises in light of the Federal Reserve's recently finalized tailoring categories?

A.3. In 2019, the Federal Reserve Board (Board) finalized a framework that sorts large firms into four different categories of capital, liquidity, and enhanced prudential standards based on their size and risk profiles. Under the tailoring framework, the least stringent standards apply under Category IV to large, noncomplex firms, and the most stringent standards apply under Category I to U.S. Global Systemically Important Holding Companies (U.S. GSIBs).[1]

In January 2021, the Board finalized a rule that would update the Board's capital planning requirements to be consistent with the tailoring framework.[2] The Boards capital planning requirements for these large banks help ensure they plan for and determine their capital needs under a range of different scenarios. In particular, firms in the lowest risk category are on a 2-year stress test cycle and not subject to company-run stress test requirements. The rule applies the capital planning requirements to large savings and loan holding companies that are not predominantly engaged in insurance or commercial activities.

[1] See *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191010a.htm.*
[2] See *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210119a.htm.*

Along with the rule change, to align the Board's capital planning guidance with the tailoring framework, staff separately revised the capital planning guidance. As revised, the Supervision and Regulation (SR) letter, SR 15-18, is now applicable to firms subject to Category I standards, and SR 15-19 is now applicable to firms subject to Category II or III standards. The Board remains in the process of reviewing the scope and applicability of other rules and SR letters that were affected by the tailoring rules.

The Federal Reserve recognizes the importance of transparency and accountability to both Congress and the public.

Q.4. As I mentioned last February, one difficulty with replacing LIBOR is that LIBOR has an embedded credit risk element as an interbank rate, whereas SOFR is a risk-free rate because it is essentially a repo rate. This mismatch could create problems when banks fund themselves in an interbank market that is subject to market conditions that SOFR may not reflect. When I asked you about this problem you stated that "a number of banks have come forward and said that they want to work on a separate rate which would not replace SOFR but would be credit sensitive" and that you were open to that. Can you provide an update on this process?

A.4. The Federal Reserve and other agencies have been deeply engaged with stakeholders affected by the London Inter-Bank Offered Rate (LIBOR) transition, including both banks and borrowers. We have held a series of workshops to understand the interest on the part of some regional banks in adding a credit sensitive spread to Secured Overnight Financing Rate (SOFR). Those workshops have made progress in better understanding the issues involved so that both banks and borrowers can determine plans for a smooth transition away from LIBOR.

In late October 2020, the U.S. Department of the Treasury (Treasury), the Board, the Federal Reserve Bank of New York, the Office of the Comptroller of the Currency (OCC), the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), and the Commodity Futures Trading Commission (CFTC), sent a letter to a number of U.S. regional banks noting that innovation is central to the development and evolution of financial markets, and that the official sector supports the continued innovation in, and development of, suitable reference rates, including those that may have credit sensitive elements. The Board, the FDIC, and the OCC subsequently released supervisory guidance supporting continued innovation in the development of robust reference rates. SOFR is a robust alternative to LIBOR, but we have been clear that its use is voluntary, and that market participants can use other suitable replacement rates.

Q.5. As I mentioned last February, I have always been skeptical of the Federal Reserve's proposal to develop its own real-time payment system.

First, I am particularly concerned with the possibility that we will end up with different payment systems that are not interoperable. In response to my concern, you mentioned that "full interoperability is the goal" but "it will be challenging to reach it."

Second, I am concerned that the Federal Reserve will not provide a flat price to all participants in the payments system, which could make it expensive for small banks to participate. In response you said that the Federal Reserve has not committed to flat pricing.

Can you provide an update on both issues?

A.5. The Federal Reserve is committed to advancing the goal of interoperability for instant payments, but we cannot accomplish it alone. Banks, bank service providers, and services operators must work together towards a common goal to move the industry forward. We have made significant progress, and the work we are doing now lays a critical foundation for accomplishing interoperability with The Clearing House's (TCH) Real-Time Payments System (RTP).

We are currently designing the FedNow Service towards compatible standards and operating procedures with RTP for the initial launch of the FedNow Service. This will support interoperability through "routing," which paves the way for nationwide access to instant payments and is highlighted as a model for accomplishing interoperability by the U.S. Faster Payments Council, an industry-led body dedicated to facilitating broad adoption of instant payments. [3]

A key part of this design work is our commitment to using the International Organization for Standardization (ISO) 20022 standard, which also is used by RTP and other payment systems globally, for payment messages. Using this widely accepted standard should remove barriers to interoperability, such as unnecessary and burdensome incompatibilities imposed on banks that choose to use both services. We are in the process of finalizing our ISO specifications with input from an industry group that includes financial institutions of all sizes and service providers. We have also engaged with TCH on specifications as part of our collaborative process. These efforts are examples of how the industry can work together toward a common goal of laying the foundation for interoperability while also supporting choice through healthy competition, one of the benefits of having more than one instant payments provider in the market.

We also have heard the industry would like the Federal Reserve and TCH to work towards interoperability based on "message exchange" where two payment services send payments between each other, such as in automated clearing house (ACH) today. Message exchange interoperability between the Federal Reserve and TCH for ACH payments took years to accomplish due to the technical, operational, and legal complexities involved with connecting two services. We expect the same would be true for instant payments. The Federal Reserve, however, is open to interoperability through message exchange and equally recognizes that such an approach will require significant coordination between TCH and the Federal Reserve.

We have not yet determined the pricing that will be applicable to the FedNow Service. The fee structure and schedule will be informed by our assessment of market practices at the time of imple-

[3] Routing is where the sending bank choses the path to the recipient based on available options and other criteria, such as price and features. The Faster Payments Council's white paper explores different models for achieving payments interoperability and is available at *https://fasterpaymentscouncil.org/blog/2756/Faster-Payments-Interoperability*.

mentation and will be published in advance of the launch of the service.

Based on prevailing market practices, the Board expects that the fee structure would include a combination of per-item fees, charged to sending and potentially to receiving banks, and fixed participation fees.

Q.6. The recently amended Federal Reserve Statement on Longer-Run Goals and Monetary Policy Strategy, published on August 27, 2020, includes a new framework for a flexible form of average inflation targeting, in which deviations from the longer-run inflation rate goal of 2 percent will prompt policymakers to aim for an equal opposite deviation for a period. Currently, monetary policy rates are expected to remain lower for longer than they would be historically because inflation has been running below 2 percent in recent years. In February, the Federal Funds Rate was lowered to 0 percent–0.25 percent to respond to economic disruption stemming from the COVID crisis. Are you concerned that holding the Federal Funds Rate at the zero lower bound for an extended period, neutralizes its ability to be used as a stimulus tool to combat a possible economic downturn within this period?

A.6. As indicated in our public communications, we expect that it will be appropriate to maintain the current target range for the federal funds rate of 0 to 0.25 percent until labor market conditions have reached levels consistent with the Federal Open Market Committee's (Committee) assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. This forward guidance underscores the Committee's strong commitment to its statutory goals of maximum employment and price stability, and reflects the Committee's strategy to achieve these goals articulated in the revised Statement on Longer-Run Goals and Monetary Policy Strategy. By allowing inflation to moderately exceed 2 percent for some time after it has persistently run below 2 percent, the Committee aims to achieve an inflation rate that averages 2 percent over time and longer-term inflation expectations that are well-anchored at 2 percent. Such a strategy does not imply that shortfalls of inflation from 2 percent will be offset by equal and opposite deviations under all circumstances. As always, the appropriate course of monetary policy will continue to reflect a broad array of considerations.

Holding the Federal funds rate near zero does not neutralize our ability to respond to future economic downturns. Maintaining accommodative conditions today helps ensure that the economy will be on a stronger footing in the future if faced with adverse shocks. In addition, our forward guidance about the federal funds rate is outcome-based and focused on the Committee's stated goals, so that the amount of policy accommodation implied by that guidance increases automatically when the economy needs it. For example, if the economic outlook were to weaken, our existing guidance would imply a more prolonged period of very low interest rates—and so would further reduce longer-term interest rates, lowering borrowing costs for businesses and households. Furthermore, were it deemed necessary, the Federal Reserve has other means of providing additional policy accommodation within its existing toolkit, including by altering the size and/or composition of its balance sheet.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TILLIS FROM JEROME H. POWELL

Q.1. Does the Federal Reserve intend to implement Executive Order 13924 of May 19, 2020, and implementing Memorandum M-20-31 issued by the Office of Management and Budget on August 31, 2020, with respect to its administrative proceeding and enforcement practices?

A.1. The Federal Reserve Board (Board), as an independent agency, has implemented its practices regarding administrative enforcement proceedings in a manner intended to promote fairness. Consistent with the broad discretion vested in the Board by law in implementing rules of its administrative proceedings, the Board continues to review its practices to ensure that its rules provide a fair, reliable, and expeditious process for all respondents.

Q.2. The idea to either create a 13-3 facility or use funds from an existing facility that would specifically be designed to get liquidity to small business suppliers immediately is something I have heard floated by policymakers and regulators alike. Under this concept, larger corporates would have access to a liquidity facility with a strict requirement to use funds to pay their small business suppliers within 24–48 hours. Large corporates have a vested interest in protecting their supply chain so the take-up rate would likely be substantial and small business suppliers who have accounts receivable from the larger companies would get the money owed to them quickly instead of seeing payment terms stretched out 60, 90, even 120 days. This would address the liquidity crisis immediately and suppliers would avoid a sometimes lengthy approval process. Can you commit to continue to giving serious consideration to this approach?

A.2. The Federal Reserve has used its emergency lending authority under section 13(3) of the Federal Reserve Act to help ensure creditworthy borrowers across all segments of the economy have access to credit. We expanded our initial programs and adopted new programs as necessary to help meet the credit needs of the economy. In particular, the Main Street Lending Program (Main Street) was created to support lending to small and medium-sized for-profit businesses and nonprofit organizations and was a viable option for small business suppliers in need of liquidity.

As of January 8, 2021, and as required by statute, when the program ceased making new purchases, the total outstanding assets were approximately $16.6 billion.

It is important to note that our lending programs were designed to be broad and not to engage in credit allocation to particular segments of the economy.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM JEROME H. POWELL

Q.1. If Congress does not pass another large relief package this year, would the economic outlook worsen relative to current Federal Reserve projections?

A.1. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other fiscal policy actions have provided important direct help to families, businesses, and communities. And the Coronavirus Response and Relief Supplemental Appropriations Act is providing additional assistance. This support has made a critical difference to helping both families and businesses in a time of need, as well as limiting the damage to our economy. The expiration of fiscal policy support would tend to lower the economic outlook, all other things held the same. Ultimately, however, it is the responsibility of Congress and the Administration to decide on the appropriate timing, size, and composition of additional fiscal stimulus.

Q.2. If so, what additional action could the Federal Reserve take to fulfill its dual mandate in a timely manner?

A.2. There are multiple dimensions along which the Federal Reserve could adjust its policy stance if we judged it appropriate to fulfill the dual mandate. Throughout the current crisis, we have provided extensive communications about the future path of the Federal funds rate to ensure that monetary policy will continue to deliver powerful support to the economy until the recovery is complete. In September, we enhanced this forward guidance by conveying that it likely would be appropriate to maintain the current target range for the Federal funds rate of 0 to ¼ percent until labor market conditions have reached levels consistent with the Federal Open Market Committee's (Committee) assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In December, we enhanced our guidance regarding asset purchases. We said we will continue to increase our holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals. These asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

Importantly, this combined forward guidance is outcome-based and focused on our longer-run goals, so that the amount of policy accommodation implied by that the guidance adjust automatically when the economy needs it. For example, if the economic outlook were to weaken, our existing guidance would imply a more prolonged period of very low interest rates—and so would further ease financial conditions. In response to COVID–19, the Federal Reserve also deployed several credit facilities—many of which under authority provided in section 13(3) of the Federal Reserve Act and in conjunction with the U.S. Department of the Treasury—that were key to addressing financial stresses and preventing COVID–19 from doing greater damage to the financial system and economic activity. We continue to closely monitor credit market conditions. In sum, the Federal Reserve stands ready to deploy all of its policy tools on the scale required to achieve its statutory goals of maximum employment and price stability. At the same time, we recognize that our actions are part of a broader public-sector response, a point underscored by the important roles played by fiscal and health policies in response to the current crisis.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM JEROME H. POWELL

Q.1. Chair Powell, when you last testified before the Banking Committee, I asked you how when purchasing high-yield bonds would help Main Street. You responded that those companies employ thousands of people, so buying their bonds in effect supports workers.

If you examine the Fed's Broad Market Index (since you last testified) many of these companies have actually laid off employees: Boeing, Disney, Caterpillar, to name just a few. At the same time, many of these same companies continue to pay dividends while they lay off workers. The Fed had the authority under the CARES Act to impose proworker conditions on firms as a condition of aid. Why didn't the Fed do so? Doesn't it undermine public confidence in the Fed when the public sees companies getting rescue money and then laying off workers and paying dividends?

A.1. The Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF) (together, the CCFs) were established to ensure that creditworthy companies that rely on capital markets to fund their operations had access to credit during last year's unusual and exigent circumstances in which financial markets experienced extraordinary disruptions, volatility, and illiquidity. The U.S. Department of the Treasury supported the CCFs with funds appropriated through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Accordingly, the CCFs complied with all applicable CARES Act provisions. Under the terms and conditions of the PMCCF, and consistent with the CARES Act, an eligible issuer in the PMCCF must have been created or organized in the United States or under the laws of the United States and must have significant operations in and a majority of its employees based in the United States. Before participating in the PMCCF, issuers were required to certify to CARES Act requirements, such as the United States business requirement and the conflicts of interest requirement under section 4019 of the Act. As you are likely aware, in accordance with section 1005 of the Consolidated Appropriations Act, 2021, the CCFs ceased extending credit on December 31, 2020.

Q.2. Section 13(3) requires that emergency loans to corporations have to be backed by collateral, and requires that, quote,"the security for emergency loans is sufficient to protect taxpayers from losses." 13(3) also requires the Fed to establish that participants in any broad-based program or facility must be, quote, "unable to secure adequate credit accommodations from other banking institutions."

As of September 8th, three of the top four issuers in the Federal Reserve's Secondary Market Corporate Credit Facility are the U.S. financing arms of Volkswagen, Toyota, and Daimler. The other top issuers include large corporations like Apple, Verizon, AT&T, General Electric, and Microsoft.

Has the Fed actually established that these companies are unable to secure adequate credit from banks? And has the Fed secured guarantees or other collateral from the companies themselves that is sufficient to protect taxpayers from losses and, if so, how is that credit secured?

A.2. The Federal Reserve established the Secondary Market Corporate Credit Facility (SMCCF) to support credit to employers by providing liquidity to the market for outstanding corporate bonds. The SMCCF did not extend new credit to U.S. corporate issuers; rather, the facility purchased debt instruments that already existed in the secondary market. Through secondary market purchases, the SMCCF helped stabilize the U.S. corporate bond market and improve conditions for new issuances but did not directly transfer funds to specific issuers. As such, and consistent with the Federal Reserve Board's (Board) Regulation A, the Federal Reserve Bank of New York obtained evidence of inadequate credit by evaluating economic conditions in the U.S. corporate credit market, which is the market that the SMCCF was intended to address. [1]

The SMCCF did not secure guarantees or collateral from specific issuers. Instead, to meet the statutory requirement to protect taxpayers from losses, the SMCCF is secured by all the assets in Corporate Credit Facilities LLC, the special purpose vehicle that is used to implement the SMCCF and Primary Market Corporate Credit Facility (PMCCF). The assets in Corporate Credit Facilities LLC include the market value of exchange-traded fund holdings; the amortized cost of corporate bonds; the equity investment from the U.S. Department of the Treasury (Treasury) and related reinvestment earnings; cash equivalents; and interest and other miscellaneous receivables. The value of these assets substantially exceeds the amount of the Federal Reserve extensions of credit in connection with the SMCCF and PMCCF. In its monthly reports to Congress pursuant to section 13(3) of the Federal Reserve Act, the Federal Reserve has provided updates on the total value of collateral pledged in connection with the PMCCF and SMCCF. These reports are available on the public website of Board. [1]

As you know, the CCFs have been supported by funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which assigns sole authority over its funds to the Treasury Secretary, subject to the statute's specified limits. The former Secretary has indicated that these limits do not permit the CARES Act-funded facilities to make new loans or purchase new assets after December 31, 2020.

[1] See 12 CFR 201.4(d)(8)(ii).

[1] See *https://www.federalreserve.gov/publications/reports-to-congress-in-response-to-covid-19.htm.*

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM JEROME H. POWELL

Q.1. Do you support the language in the House-passed HEROES Act that lowers the Municipal Loan Fund's interest rates to match the Fed Funds Rate?

A.1. Response not received in time for publication.

Q.2. Is the Federal Reserve able to provide 6-month notes to cash-strapped local governments and commit to rolling them over for 20 years or more if a locality is unable to take on long-term debt?

A.2. Response not received in time for publication.

Q.3. Can the Federal Reserve change the Municipal Lending Facility to meet the needs of tribes?

A.3. Response not received in time for publication.

Q.4. Are there any plans to reallocate funds in the Municipal Lending Facility or the Main Street Lending Facility?

A.4. Response not received in time for publication.

Q.5. How does current law prevent the Federal Reserve from making changes to better assist asset-based businesses?

A.5. Response not received in time for publication.

Q.6. What does the Federal Reserve plan to do with the remaining funds provided through the CARES Act if a relief deal is not reached? Are there other ways you can use that money to help the travel and tourism industry?

A.6. Response not received in time for publication.

Q.7. What changes can be made to the Main Street Lending Program so it is viable for borrowers and encourages banks to participate?

A.7. Response not received in time for publication.

Q.8. The Main Street Lending Program requires that banks share security pari passu under the Boston Fed's Main Street program. Have any banks been willing to concede part of their security interests, and if so, what percentage of debt to value did the secured loans cover?

A.8. Response not received in time for publication.

Q.9. Recently, the group Americans for Financial Reform reported that the Federal Reserve is paying more for bond purchases than the par value. If you look at the Fed reports on its corporate bond purchases and loans under the CARES Act to Congress, it seems the Fed overpays an average of 7 percent. Please explain this discrepancy in payments and why the Federal Reserve is paying more for bond purchases.

A.9. Response not received in time for publication.

Q.10. Why does the nonprofit loan facility impose certain liquidity, asset, and reserve requirements that are not required in Main Street New Loan Facilities available to for-profit businesses?

A.10. Response not received in time for publication.

Q.11. The IRS includes a public support test on the annual Form 990 that requires nonprofits to maintain a rate above 33 percent—

⅓—in order to ensure that nonprofits are relying more heavily on donations from the public, rather than other funding sources like investment income. Why does the Federal Reserve's criteria require organizations to have revenues from donations that are less than 40 percent, which would be a significant barrier to many nonprofits who operate from contracts but who also wish to be eligible for the loan facility? Would the Fed consider eliminating this requirement that no more than 40 percent of an organization's 2019 revenues come from donations?

A.11. Response not received in time for publication.

Q.12. One of the eligibility criteria for borrowers is that they must have "a ratio of adjusted 2019 earnings before interest, depreciation, and amortization (EBIDA) to unrestricted 2019 operating revenue, greater than or equal to 2 percent." This criteria requires nonprofits to essentially have a 2 percent profit. Nonprofits function in a model that does not turn a profit, and where any surpluses are used fund critical services to the public such as social services and health research. Would the Fed consider eliminating this requirement, which would be disqualifying for many nonprofits?

A.12. Response not received in time for publication.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES FROM JEROME H. POWELL

Q.1. *Minority-Owned Small Businesses*—Last month in Birmingham, I hosted a roundtable with minority business owners, entrepreneurs, and investors. I heard firsthand how hard it is for minority business owners to get capital, including PPP loans.

Congress passed the CARES act to help small businesses weather the pandemic—yet the number of women and minority businesses unable to access capital remains still distressingly high. A survey in April found that of Black and Latino businesses who applied for PPP loans, only 12 percent got PPP loans and 41 percent were denied. The rest got partial assistance or were still waiting to hear back.

What steps is the Federal Reserve taking to ensure that minority businesses owners have access to capital while not being forced to pay predatory rates?

A.1. The Federal Reserve appreciates the critical role that small businesses play in our economy; they account for almost half of all employees and more than half of all job growth. The Federal Reserve is monitoring small business conditions, including borrowing and lending activities, and is in active conversation with small businesses across the country to better understand their needs. In addition, staff are reaching out to banks, credit unions, community development financial institutions (CDFI), other nonprofit lenders, and small business groups to gather insights on the current financial challenges of small businesses across various industries, size, markets, demographic and geographic characteristics. In supporting economic stabilization and recovery throughout COVID–19 and implementing the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), we have been focused on the credit needs of these important employers. We have acted aggressively to stabilize financial markets and bring interest rates down, which has directly helped small businesses and their customers by supporting the recovery, in particular to provide credit support to financial institutions lending to small businesses through the Main Street Lending Program (Main Street) and the Paycheck Protection Program Lending Facility (PPPLF).[1] To ensure that these programs were responsive and effective, the Federal Reserve Board (Board) made adjustments to ensure that the facilities were as successful as possible in meeting the goal of supporting jobs and the broader economic recovery while balancing risk to taxpayer funds.[2]

To increase awareness and utilization of the these programs, the Federal Reserve has conducted extensive outreach, including a series of webinars, to ensure that eligible institutions have the information needed to access the program. These webinars have had over 10,000 registrations. In addition, Federal Reserve System community development staff conducted specific outreach with national organizations that support CDFIs and minority depository institutions (MDI), including the Opportunity Finance Network, the Community Development Banker's Association, and the National Bankers Association to ensure that MDIs and CDFI banks and loan funds are able to access the PPPLF. Currently there are approximately 82 PPPLF participants with outstanding balances that are either MDIs or CDFIs (or both). This figure includes some nonbank CDFIs, entities with which the Fed has not traditionally had lending relationships. We are committed to continuing to conduct outreach as needed to support the broadest possible access to the PPPLF by Paycheck Protection Program (PPP) lenders.

With respect to concern about fair treatment in accessing the facilities, the Federal Reserve's fair lending supervisory and enforcement program reflects its commitment to promoting financial inclusion and ensuring that the financial institutions under our jurisdiction fully comply with applicable Federal consumer protection laws and regulations. The Equal Credit Opportunity Act and the Federal Reserve's Regulation B's prohibition on lending discrimination applies to all creditors and to all forms of credit, and includes credit extended to small businesses, and the Federal Reserve evaluates fair lending risk at every consumer compliance examination based on the risk factors set forth in the interagency fair lending examination procedures.

These procedures include risk factors related to potential discrimination in pricing, underwriting, redlining, and steering. If warranted by risk factors, staff conduct in-depth analyses of a state member bank's underwriting policies and practices. If there are concerns about a pattern or practice of any type of lending discrimination, a bank is required to provide additional data and in-

[1] For more information about these programs, see *https://www.federalreserve.gov/funding-credit-liquidity-and-loan-facilities.htm.*

[2] See Press Release, "Federal Reserve Board Adjusts Terms of Main Street Lending Program To Better Target Support to Smaller Businesses That Employ Millions of Workers and Are Facing Continued Revenue Shortfalls Due to the Pandemic", *https://www.federalreserve.gov/newsevents/pressreleases/monetary20201030a.htm.* Also see Press Release, "Federal Reserve Expands Access to Its Paycheck Protection Program Liquidity Facility (PPPLF) to Additional Lenders, and Expands the Collateral That Can Be Pledged", *https://www.federalreserve.gov/newsevents/pressreleases/monetary20200430b.htm.*

formation. For example, if the risk profile of a bank warrants a more in-depth review of particular loan products, a request for additional information would be made to the bank to determine whether there is a fair lending violation. This could include collection of supplemental data items related to small business lending.

When exercising supervisory and enforcement responsibilities in evaluating banks' lending activities during COVID–19, the Board will take into account the unique circumstances affecting borrowers and institutions during this time. The Board will take into account an institution's good-faith efforts demonstrably designed to support consumers and comply with consumer protection laws. The Board expects that supervisory feedback for institutions will be focused on identifying issues, correcting deficiencies, and ensuring appropriate remediation to consumers.

Q.2. *Retail + Restaurant Industry Losses Due to the Coronavirus*— In May, you highlighted how many of the COVID related job losses were in the lower paying service sector, like in restaurants, hotels, tourism, and retail where you interact with others.

The service sector remains especially hard hit as some folks are hesitant to travel or eat out until there's a better handle on the virus. In Alabama alone, 14,397 direct hotel-related jobs have been lost since February. My State's lodging tax loss is expected to be $105.2 million from diminished travel during the coronavirus pandemic.

What do the Federal Reserve's economic models demonstrate if Congress fails to act in meaningful way to help the retail, entertainment, and restaurant industries?

Further, what do the Federal Reserve's economic models demonstrate if Congress fails to provide another coronavirus relief package without any additional economic impact payments to households, assistance for State and local governments that might be forced to lay off first responders, extending Federal unemployment insurance for workers unable to return to work, hazard pay for frontline workers, and streamlined loan forgiveness for the Paycheck Protection Program (PPP)?

A.2. The CARES Act and other fiscal policy actions have provided important direct help to families, businesses, and communities—including both workers and employers in the retail, entertainment, and restaurant industries. The Coronavirus Response and Relief Supplemental Appropriations Act is providing additional help. These two Acts have made a critical difference to helping both families and businesses in a time of need, as well as limiting the damage to our economy. The expiration of fiscal policy support would tend to lower the economic outlook, all other things held the same. Ultimately, however, it is the responsibility of Congress and the Administration to decide on the appropriate timing, size, and composition of additional fiscal stimulus.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM JEROME H. POWELL

Q.1. As you know, the commercial mortgage-backed security (CMBS) market is under extreme pressure due to this pandemic. Collapse of this market would be disastrous to Arizona communities that rely on tourism and to the State pension funds, endowments, retirement funds, college funds, and other investment income tools that rely on the market. You have repeatedly indicated it is not within your authority under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to create a lending facility for CMBS borrowers.

Can you expand on your authority as it relates to creating a new tailored facility?

Is it the market conditions that do not warrant changes, or are you unable to make changes due to your authority or structural limitations?

What other relief options are available to CMBS borrowers, such as Arizona hoteliers?

A.1. Although hotels, shopping malls, restaurants, and many other businesses remain challenged or closed, lending programs for particular industry sectors are outside the scope of the Federal Reserve's powers. As a central bank, one of our core principles is to avoid credit allocation. However, actions taken by the Federal Reserve to support the broader economy have alleviated some of the strains in the commercial real estate market. More specifically, the Federal Reserve's purchases of agency commercial mortgage-backed securities (CMBS), as part of open market operations and the inclusion of legacy CMBS as Term Asset-Backed Securities Loan Facility (TALF)-eligible collateral, have improved spreads and liquidity in the CMBS market.

The Consolidated Appropriations Act, 2021, amended the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to require that, after December 31, 2020, the Federal Reserve shall not make any new purchases under facilities that are supported using funds allocated to the U.S. Department of Treasury (Treasury) under the CARES Act. In addition, the Consolidated Appropriations Act, 2021, rescinded the appropriation authority for the unobligated portion of these funds and limits the ability of the Treasury to use funds in the Exchange Stabilization Fund. As part of its fiscal provisions unrelated to Federal Reserve lending, the Consolidated Appropriations Act, 2021, included support to specific industries in the form of grants and investments, including industries and businesses that remain challenged or closed.

Q.2. Under the Main Street Lending Program, eligible nonprofits must obtain no less than 40 percent of their donations from the public, rather than other funding sources like investment income. The Internal Revenue Service (IRS) only requires nonprofits to maintain a rate above 33.33 percent. Some nonprofits have claimed 40 percent is a significant barrier to entering the Program. Why does the Federal Reserve maintain a higher percentage of public donations than the IRS?

A.2. The nondonation revenues test was established to ensure that nonprofit organizations that receive Main Street Lending Program loans have stable sources of funding, such as longer-term contracts or fees earned for services provided, to repay the loan over time. This requirement is intended to address the risk that the current uncertain economic situation may create temporary or permanent shifts in philanthropy.

In response to public feedback to proposals released for comment on June 15, 2020, the nondonation revenues requirement was lowered from 70 percent to 60 percent of expenses. The revised Nonprofit Organization New Loan Facility (NONLF) and Nonprofit Organization Expanded Loan Facility (NOELF) term sheets also amended the definition of "donations" to reduce the stringency of this test and make it easier for nonprofit organizations to calculate. Additionally, the term sheets apply the test using a 3-year average to avoid disadvantaging nonprofits that had a large, one-time donation in 2019.

We believe the revised nondonation revenues test sufficiently balanced our desire to support the flow of credit to nonprofit organizations that play a vital role in providing critical services to our communities, while also safeguarding taxpayer funds.

As you know, the NONLF and NOELF have been supported by funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which assigns sole authority over its funds to the Treasury Secretary, subject to the statute's specified limits. The former Secretary indicated that these limits do not permit the CARES Act-funded facilities to make new loans or purchase new assets after December 31, 2020. In order to allow more time to process and fund loans that were submitted to the Main Street lender portal on or before December 14, 2020, the Federal Reserve Board (Board) extended the termination date of Main Street facilities to January 8, 2021.

The Board will continue to monitor conditions in financial markets and the broader economy. We are prepared to use our full range of tools to support the economy, maintain the flow of credit to households and businesses, and promote our maximum employment and price stability goals.

Q.3. During the September 24 hearing, you stated that the Federal Reserve had expanded the number of national recognized statistical rating organizations (NRSRO) the Facilities will accept. It is my understanding that eligible businesses must still have a rating from a major credit rating agency, even if they have an acceptable rating from another NRSRO.

Can you detail this expansion?

Are businesses able to apply with and only with a credit rating from an NRSRO that is not one of the major players?

Why is the Federal Reserve not treating all reputable rating agencies equally as it relates to access to the Facilities?

A.3. The Federal Reserve's emergency lending facilities were established to help support the flow of credit to employers, households, and businesses. In addition, under the Federal Reserve Act, any loans extended by the Federal Reserve must be satisfactorily and sufficiently secured to protect taxpayers from loss.

The Federal Reserve's initial priority was to announce the establishment of these facilities as quickly as possible, and therefore the facilities first used credit ratings from just the three largest nationally recognized statistical rating organizations (NRSRO), given that the most widespread credit ratings used are from these three NRSROs.

Consistent with our objectives to promote the flow of credit in a manner consistent with the law, the Federal Reserve undertook an analysis to determine whether to expand the list of eligible NRSROs. As part of this analysis, the Federal Reserve considered the design and focus of each facility, and the role that each NRSRO plays in the relevant market. Specifically, the Federal Reserve sought to balance the benefits of using ratings from the NRSROs most relied on by investors with the need to ensure broad access to our programs. That analysis led the Federal Reserve to include three additional NRSROs in its facilities along with the three largest NRSROs. The approach taken by the Federal Reserve, in continuing to require a rating from one of the three largest NRSROs, balances the investor usage of these three NRSROs with the benefit of expanding eligibility to other NRSROs that are used by investors to a material extent in a way that is relevant for each of our facilities.

While we understand the interest in ensuring that no distinctions are made among registered NRSROs, inclusion of all NRSROs would have impaired, not improved, the effectiveness of the facilities. If we had included all NRSROs, absent any other eligibility criteria, we would accept ratings issued by NRSROs that are not used to a material extent by investors in that market. Accordingly, we may have needed to include additional eligibility criteria, or conduct additional credit underwriting, to ensure that taxpayers are protected from losses and that we are satisfactorily secured.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

STATEMENT OF NAFCU, SUBMITTED BY CHAIRMAN CRAPO

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National Association of Federally-Insured Credit Unions

September 23, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20515

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20515

Re: Tomorrow's Hearing: "The Quarterly CARES Act Report to Congress."

Dear Chairman Crapo and Ranking Member Brown:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on issues of importance to credit unions ahead of tomorrow's hybrid hearing, "The Quarterly CARES Act Report to Congress," with Treasury Secretary Steven T. Mnuchin and Federal Reserve Chairman Jerome Powell. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve nearly 121 million consumers with personal and small business financial service products. We would like to thank you for this opportunity to provide input on how credit unions are addressing the pandemic and share areas where further help is needed.

Credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working with them during these times of economic uncertainty. As we have shared with you before, credit unions have voluntarily implemented programs to protect their members' financial health, including skipping payments without penalty, waiving fees, low or no-interest loans, loan modifications and no interest accruals. While there were important steps to help credit unions and their members in the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), there remain a number of areas that we believe must be addressed by Congress and the Administration in any additional relief legislation to ensure that credit unions have the necessary tools to continue to support their members through this crisis. Key among these are the inclusion of S.4117, the *Paycheck Protection Small Business Forgiveness Act,* and the extensions of the changes to the National Credit Union Administration's (NCUA) Central Liquidity Facility (CLF) and Troubled Debt Restructuring (TDR) provisions from the CARES Act. These and other issues for consideration are outlined in more detail below.

CARES Act Relief Measures That Should Be Extended and/or Modified

Section 1102: SBA Paycheck Protection Program

Credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times, and their response through the Paycheck Protection Program (PPP), the Small Business Administration (SBA) lending program created by section 1102 of the CARES Act, was tremendous.

However, NAFCU believes it is important to simplify the loan forgiveness process and application for smaller PPP loans. While credit unions are working with their members to assist them with the current loan form, the complexity of the forgiveness rules and application is posing challenges for many small businesses who may not have the staff or expertise for such a complex application, especially with the current economic challenges. As such, NAFCU is supportive of a simplified loan forgiveness process for PPP loans under a $150,000 threshold, such as proposed in S.4117, the *Paycheck Protection Small Business Forgiveness Act*, and we urge you to enact this important measure by passing it on its own or by adding this language to any pandemic relief legislation.

With the authorization of the PPP having now expired, more must be done to help our nation's small businesses. Any reauthorization of the PPP must ensure community institutions such as credit unions can continue to play an important role in helping their member small businesses. Congress must also look beyond the PPP to help our nation's businesses, and can take an important step by passing S.3676, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, which would provide relief from the arbitrary credit union member business lending (MBL) cap for loans to small businesses recovering from the impacts of the pandemic.

Section 4016: NCUA's Central Liquidity Facility (CLF)
We support, and ask that you make permanent, the changes to the CLF in section 4016. We would note that NCUA Chairman Rodney Hood and Board Member Todd Harper have both called on Congress to make these changes permanent. The CLF is an important liquidity tool for credit unions, and the recovery ahead will likely extend beyond the end of 2020, when the changes are currently set to expire. NAFCU believes strong liquidity is vital to ensuring loans to struggling families and small businesses continue to flow within the credit union system. An extension of this provision through the end of 2021 is also included in the aforementioned S.3676.

Section 4013: Troubled Debt Restructuring (TDR)
NAFCU appreciates the provisions in section 4013 giving the NCUA broad authority to suspend Generally Accepted Accounting Principles (GAAP) requirements with respect to loan modifications related to COVID-19 that would otherwise be categorized as TDRs. We urge extension of this flexibility to at least December 31, 2021, to allow any post-forbearance workouts to be included in the applicable period. NAFCU also supports of H.R.7913, the *Financial institution Forbearance Act.* This legislation extends and expands the TDR relief provisions put into effect by the CARES Act.

Section 4008: Deposit Insurance
NAFCU would like to highlight the lack of parity between credit unions and community banks in section 4008 of the CARES Act. This section appears to allow the Federal Deposit Insurance Corporation (FDIC) to establish an unlimited maximum guarantee, whereas the "equivalent" provision for the NCUA appears to only apply to noninterest bearing transaction accounts. Should you opt to extend this coverage, we ask that you consider providing the NCUA with the same powers as the FDIC, extending their ability to establish a maximum guarantee to all shares or deposits held in a federally-insured credit union.

Section 4014: Current Expected Credit Loss (CECL)
Credit unions remain well-capitalized as an industry and stand ready to help in the economic recovery. However, new accounting requirements could stymie these efforts. Even though the Financial Accounting Standards Board (FASB) has delayed its new Current Expected Credit Loss (CECL) standard for credit unions until the first quarter of 2023, credit unions will have to start bringing their portfolios in line in 2021 and 2022. The temporary relief for 2020 provided in section 4014 is a good

first step. Still, CECL will remain a burden on credit unions as the economy recovers. This could cause constraints on lending and delay our nation's economic recovery. NAFCU believes that credit unions, as not-for-profit cooperative institutions, should not be subject to the CECL standard as they did not engage in the irresponsible practices that precipitated the Great Recession. If credit unions are not exempted, further delaying implementation of this standard could help provide additional clarity and relief for credit unions. We would note that NCUA Chairman Hood called for a credit union exemption to the CECL Standard in an April 30, 2020 letter to FASB, stating that "...the compliance costs associated with implementing CECL overwhelmingly exceed the benefits."

Section 4012: Community Bank Leverage Ratio

Section 4012 of the CARES Act provides banking regulators with the authority to temporarily lower the Community Bank Leverage Ratio (CBLR) from nine percent to eight percent. Before the pandemic, the NCUA Board had expressed interest in adopting an analog to the CBLR in conjunction with its risk-based capital rule; however, the more immediate constraint on credit union capital takes the form of statutorily prescribed net worth levels under the *Federal Credit Union Act's* (FCU Act) prompt corrective action (PCA) provisions. In his April 29, 2020 letter to Senate Banking Committee Chairman Mike Crapo, NCUA Chairman Hood requested temporary capital flexibility for the NCUA and credit unions. Specifically, he asked for "a reduction in the level at which credit unions are considered well capitalized from a net-worth ratio of seven percent to six percent and adequately capitalized from six percent to five percent during the pandemic." Any extension of the CBLR must also include this temporary capital flexibility for credit unions, so that credit unions may loan more to their members who need it.

As the Committee hears from Administration officials, we urge you to encourage them to take any action in their power to address these issues until such time as Congress can enact additional relief.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at (703) 258-4981 or lplush@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs

STATEMENT OF CUNA, SUBMITTED BY CHAIRMAN CRAPO

Credit Union National Association
CUNA

Jim Nussle
President & CEO
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99 M Street SE
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September 23, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of America's credit unions, I am writing regarding the Quarterly CARES Act Report to Congress. The Credit Union National Association (CUNA) represents America's credit unions and their 120 million members. We request this letter be added to the record of the hearing, and we appreciate your consideration of our views.

The Department of Treasury (Treasury) and Small Business Administration (SBA) have taken significant actions to stabilize the economy during the COVID-19 pandemic. The pandemic has led to economic uncertainty for individuals and businesses of all types. Changes to regulation and the creation of new lending programs have and will continue to help individuals and business weather the storm.

Paycheck Protection Program

The SBA and Treasury's implementation of the Paycheck Protection Program (PPP) left much to be desired as credit unions and other lenders experienced periodic inability to access to the E-tran system and occasional unresponsiveness to credit unions asking for assistance.

Despite these issues, credit unions were proud to offer PPP loans to help small business owners recover from the impact of the pandemic, facilitating more than 170,000 loans that averaged just $49,000. Through this program, credit unions helped Main Street America including businesses like non-profit organizations that are helping the minority communities in the cities of Wilmington and minority owned businesses in the lower east side of New York such as a small deli, tiny photography businesses, and the neighborhood bakery, among many others.

While PPP lending has concluded, there are a number of steps that SBA should take if additional funds become available. SBA should improve their national and regional operation in order to provide more timely feedback to lenders and borrowers, including lender prioritization guidance, official guidance formalizing the use of PPP forms and guidance on the loan purchasing process. Furthermore, the SBA should issue guidance and forms to reflect that privately insured state-chartered credit unions are eligible to lend through the program.

Now that the PPP program has transitioned to the loan forgiveness phase, credit unions are concerned that the loan forgiveness process is overly complicated for most businesses. The process is so complex that most businesses may need to retain counsel to navigate the application process – an expense many of the smallest businesses cannot afford during normal times, much less in this crisis.

In order to allow America's small business owners and Main Street financial institutions to remain focused on serving their communities rather than jumping through burdensome regulatory hurdles, we urge Congress to implement policy that provides automatic loan forgiveness for PPP loans. We strongly support H.R. 7777, the Paycheck Protection Program Small Business Forgiveness Act and its Senate companion, S. 4117. This legislation would provide forgiveness for PPP loans of $150,000 or less if the borrower submits an attestation form to the lender. It also ensures that the lender will be held harmless from any enforcement action if the borrower's attestation contained falsehoods.

Additionally, credit unions have been concerned about PPP related liability since the onset of the program. Now, we are beginning to see lawsuits are being filed to remedy perceived issues with aspects of the PPP. The interim final rules provided little guidance on critical aspects of the program, such as the documentation required to determine eligibility, the process for submission and approval of the loans by the SBA, the collection of servicing fees, and the determination of funds to be forgiven. This lack of guidance shifts too much liability to the lender and creates too much process risk relative to the limited interest rate. Thus, we call on Congress to enact commonsense liability protections for PPP lenders.

Member Business Lending

Looking forward beyond PPP, small businesses across the country will continue to be in need of funds and credit unions are in a position to pump billions of capital into the economy - at no cost to the government. There's only one obstacle: an arbitrary credit union Member Business Lending (MBL) cap which currently limits some credit union lending activity to 12.25% of assets.

Given the urgent financial needs of so many small businesses because of the COVID-19 crisis, now is the time to provide credit unions with additional flexibility to serve their business members by lifting the cap.

Even temporarily lifting the cap will result in more credit union business lending. While credit union business lending has increased greatly since the Great Recession, many credit unions are now approaching the 12.25% of assets cap. We conservatively estimate that temporarily removing the MBL cap will provide over $5 billion in capital to small and informal business ventures, creating nearly 50,000 over the course of the next year.[1]

Additional credit union lending will not impede bank lending activity. SBA research shows that growth in credit unions' small business lending is apparent in many respects but a majority of credit union business lending is for loans that banks won't originate – which means a majority of credit union lending does not replace lending that would otherwise be done by banks – it is lending that otherwise would not occur.[2] SBA research specifically shows that roughly 80% of credit union business loans are loans that banks would not make.

Small businesses and communities around the country are suffering and need access to relief quickly. Thus, we encourage the Committee to include H.R.6789, the Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020 in the next phase of COVID-19 legislation. The bill would lift the credit union MBL cap during the pandemic and one-year after the pandemic ends for loans specific to COVID-19.

Central Liquidity Facility (CLF)

The CARES Act included a much-needed expansion of the National Credit Union Administration's Central Liquidity Facility (CLF), allowing corporate credit unions to act as agents for natural person credit unions and expanding the CLF's borrowing authority from 12 times the paid in capital to 16 times. These changes make the CLF more accessible to credit unions and expand the amount of liquidity NCUA could provide credit unions. The exemption is set to expire at the end of 2020.

Given the unprecedented nature and the depth of this pandemic and the subsequent economic crisis, we urge Congress to expand the CLF's borrowing authority to 25 times the paid in capital, extend the expanded borrowing authority until December 31, 2021, and to make permanent the ability of corporate credit unions to act as agents for credit unions.

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[1] CUNA Estimate Assumptions: 1. Grandfathered CUs, Non-Federally Insured and/or Low-Income designated do not increase lending; 2. Non-Commercial lenders lend in amount equal to 1% of assets on average under the new authority; 3. All other Commercial CUs lend in amount equal to 60% of their current use rate; 4. Estimates produced using assumptions 1-3 are further adjusted as follows: * CUs with net worth/assets <=6% are assumed to have no Commercial Loan growth. * CUs with net worth/assets between 6% and 7% remain at the current 12.25% cap. * CUs with Comm Lns/assets >= 10% are limited to a 30% increase in Commercial Loans in the 1st year. 5. First year increases: baseline estimate = 50% of new use rate; adjusted/conservative estimate = 40% of new use rate. Employment increase is based on Council of Economic Advisors 5/09 ARRA job creation estimates ($92,000 in spending creates 1 job / $109,633 in 2019 dollars).

[2] Wilcox, James A. The Increasing Importance of Credit Unions in Small Business Lending. Small Business Administration Office of Advocacy. 2011. Contract SBAHQ-10-R-0009.

The consequence of not having these provisions in place prior to this crisis is that NCUA has had to engage in a membership campaign for the CLF, asking credit unions to contribute capital to the facility at the very time credit unions are most reluctant to give up capital. Congress should take steps to ensure the long-term viability of the CLF, so that it can be prepared to help credit unions in future crises.

Troubled Debt Restructuring (TDR)

Under the CARES Act, Section 4013 states that if a loan was current either on December 31, 2019 or at the time of modification, COVID-related modifications to the loan are exempt from Troubled Debt Restructuring (TDR) treatment. The exemption is set to expire at the end of 2020.

Another provision of the CARES Act, Section 4022, states that federally backed mortgages (Fannie, Freddie, VA, or FHA) may request loan forbearance for up to 12 months during the national emergency.

The issue we face is that the TDR exemption lasts only until the end of 2020, but most forbearances will not end until 2021, at which time financial institutions will need to modify these loans. As a result of the unintentional misalignment of these two provisions of the CARES Act will result in variations in accounting treatment and operational complexities that make it more difficult for consumers to obtain loan modifications.

Credit unions want to help as many Americans as possible. Under the CARES Act, credit unions are required treat members with Federally backed loans in a certain way, and they have been doing that have been doing hat. But it's critically important to extend that same accommodation to other borrowers who need it. We need consistency in how consumers are treated.

That said, we urge Congress to extend the CARES Act's temporary TDR relief for an additional year, until the end of 2021.

On behalf of America's credit unions and their 120 million members, thank you for holding this important hearing.

Sincerely,

Jim Nussle
President & CEO

STATEMENT OF ICSCS, SUBMITTED BY CHAIRMAN CRAPO

UNITED STATES SENATE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

September 24, 2020

The Quarterly CARES Act Report to Congress

STATEMENT OF THOMAS McGEE

PRESIDENT & CEO, INTERNATIONAL COUNCIL OF SHOPPING CENTERS

Thank you, Chairman Crapo and Ranking Member Brown, for hosting today's Quarterly CARES Act Report to Congress and the resulting discussion on the Treasury Department's and the Federal Reserve's pandemic response.

It is the perspective of the International Council of Shopping Center (ICSC) that the Department of Treasury's and the Federal Reserve's responses to the COVID-19 pandemic have been inadequate. The Treasury and the Fed have inexplicably left behind many businesses, particularly retail real estate businesses and many of our consumer-facing tenants – the very companies that have been most directly and severely affected by mandatory closures and shutdowns.

ICSC is the preeminent membership organization serving retail and real estate professionals. ICSC member network represents owners, developers, financial institutions, professional service providers and, importantly, shopping center tenants such as retailers, restaurants, gyms, health centers and service providers. Shopping centers are an essential part of every city, town and community across the country, with small businesses representing nearly 70% of shopping center tenants.

While certain essential retail businesses have been allowed to remain open or reopen, several sectors that are part of the diverse mix of today's shopping centers, including health, wellness, personal care, restaurants, entertainment, education and childcare, have been especially hard hit by the pandemic and some are still closed more than six months after the start of this crisis. From March through August 2020, ICSC estimates that in the shopping center industry, approximately 7.4 million jobs have been eliminated, $190 billion in sales lost and $54 billion in rent unpaid. In many cases, landlords and tenants have reached agreements to defer those obligations until a later date, but operating costs have increased significantly. We have included an overview of the state-by-state economic impact of COVID-19 prepared by ICSC Research at the end of this document.

While ICSC's members include global, publicly traded retail real estate interests, the vast majority of our member companies are privately held, small to mid-sized businesses, many of which have been negatively affected by the economic consequences of COVID-19. Our members have reported that they do not have access to additional sources of capital or the leverage to substantively negotiate with certain debt servicers during this temporary liquidity shortfall. Because the majority of our owner/developer members' companies are privately held and meet the Small Business Administration's definition of "passive businesses," they continue to be excluded from the Paycheck Protection Program (PPP) and all of the Federal Reserve's liquidity assistance to date. To allow these assets to fail because the government shut them down or placed significant constraints on their operation seems patently unfair.

We are greatly disappointed by the update to the Main Street Lending Program (MSLP) Frequently Asked Questions (FAQs) released on September 18, 2020, which again ignores the needs of the retail real estate industry. Since the initial FAQs were released on April 30 directing the MSLP, ICSC has repeatedly expressed significant concerns with the key shortcomings of the program, notably the Small Business Administration 7(a) loan eligibility standards and the narrow EBITDA based debt ratio standard. Unfortunately, the Department of Treasury and the Federal Reserve continue to turn a blind eye to the problems being experienced in retail real estate and other sectors of the commercial real estate (CRE) industry, despite significant outreach from stakeholders, associations like ICSC, borrowers, and more than 100 Members of Congress and Senators, including Senate Banking Committee Chairman Michael Crapo.

ICSC respectfully requests that U.S. Department of Treasury and the Federal Reserve immediately revisit the terms established for MSLP to allow for temporary liquidity support for CRE borrowers. Requested changes include:

1. First and foremost, the eligibility standards for the MSLP should be expanded to remove the limitation placed on commercial rental real estate businesses due to the misguided use of the SBA 7(a) loan eligibility standards.

2. As the Federal Reserve has acknowledged, EBITDA is not a standard underwriting metric for real estate or other asset-based businesses. If the EBITDA multiple test remains, the number should be increased substantially. However, ICSC recommends that the Federal Reserve allow lenders to use conventional metrics of the real estate industry:

    - For construction, development projects and hotels, a 75% maximum loan to cost (LTC).
    - For other assets, an 80% maximum loan to value (LTV) or a 1.2x minimum debt service coverage ratio based on 2019 operating income.
    - In addition, we believe pre-COVID-19 Net Operating Income (NOI) is a better metric to reflect the long construction and lease-up times for commercial and residential properties. MSLP should allow the maximum loan size for CRE borrowers whose buildings were placed into service after January 2019 to be based on the projected stabilized NOI.

In addition to opening access to the MSLP, ICSC supports legislation introduced this week by Senators Moran, Shaheen, Rounds, Blunt and Tillis to amend the CARES Act to give authority to the Department of Treasury and the Federal Reserve to create a federal liquidity facility based on the purchase of preferred equity to address the unique fiscal needs of certain members of our sector.

Conclusion

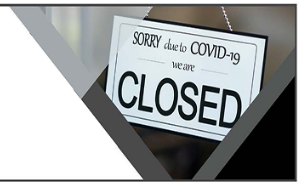
While some believe that CRE owners have access to other sources of capital, that is not true for many of the smaller entrepreneurial ICSC members who comprise the majority of our membership. Furthermore, many retail real estate owners are in this difficult economic situation due to no fault of their own, but rather because of governmental orders to combat a public health crisis. Without federal liquidity support to assist with outstanding debt obligations, many of these community-based assets will be seized and allowed to languish without the benefit of hands-on management.

Shopping centers are an important catalyst for community job creation and they are a crucial component of state and local tax revenue. The first communities to be impacted and the last to recover from foreclosed shopping centers will be the secondary and tertiary markets such as those located in rural or underserved areas. Taking a laissez-faire approach to the COVID-19 impacted CRE sector will devastate these communities, cause job loss and capital flight from the areas that need it most.

The long-term strength of the shopping center industry is critical to the economic, civic and social viability of communities across the country. However, without meaningful access to a federal liquidity program, the impact of COVID-19 mandated closures and social distancing precautions will result in significant and lasting economic damage, empty storefronts and vacant shopping centers across the country for years to come, leaving long-term shortfalls for state and local revenues and prolonging the recovery period.

Thank you again for your focus on support for COVID-19 impaired CRE industry participants and the potential of the U.S. Department of Treasury and the Federal Reserve to provide assistance to this important industry under the CARES Act.

State-by-State Impact of COVID-19 on the Shopping Center Industry



Shopping centers are one of the most distressed sectors impacted by COVID-19. Nationwide our industry has lost 7.4 million jobs, $190 billion in sales and $54 billion in rent (which means less tax revenue for community support).

	2019			March-July 2020		
	Jobs	Sales	Taxes	Lost Jobs (As of July)	Lost Sales (March-July)	Lost Rent (April-July)
Alabama	582,434	$98.2 bil.	$4.1 bil.	106,433	$3.1 bil.	$870.8 mil.
Alaska	59,376	$10 bil.	$96.2 mil.	15,387	$317.9 mil.	$95.2 mil.
Arizona	677,554	$114.2 bil.	$6.9 bil.	150,204	$3.6 bil.	$1 bil.
Arkansas	345,833	$58.3 bil.	$3.9 bil.	62,796	$1.9 bil.	$520 mil.
California	3.5 mil.	$591.1 bil.	$46.4 bil.	836,511	$18.8 bil.	$5.3 bil.
Colorado	598,054	$100.8 bil.	$3.4 bil.	135,676	$3.2 bil.	$905.2 mil.
Connecticut	451,141	$76.1 bil.	$5.1 bil.	79,740	$2.4 bil.	$681.9 mil.
Delaware	107,151	$18.1 bil.	$38.3 mil.	24,179	$573.6 mil.	$164 mil.
District of Columbia	50,903	$8.6 bil.	$743.6 mil.	20,789	$272.5 mil.	$76.9 mil.
Florida	2.4 mil.	$409.5 bil.	$26.6 bil.	517,283	$13 bil.	$3.7 bil.
Georgia	1.2 mil.	$202.7 bil.	$8.9 bil.	235,476	$6.4 bil.	$1.8 bil.
Hawaii	124,209	$20.9 bil.	$1 bil.	37,606	$664.9 mil.	$200.6 mil.
Idaho	191,198	$32.2 bil.	$2 bil.	38,292	$1 bil.	$290 mil.
Illinois	1.5 mil.	$250.8 bil.	$17.3 bil.	286,604	$8 bil.	$2.3 bil.
Indiana	803,245	$135.4 bil.	$9.9 bil.	151,402	$4.3 bil.	$1.2 bil.
Iowa	327,964	$55.3 bil.	$3.7 bil.	75,148	$1.8 bil.	$523.4 mil.
Kansas	336,918	$56.8 bil.	$4 bil.	65,984	$1.8 bil.	$515.8 mil.
Kentucky	472,505	$79.7 bil.	$5 bil.	99,699	$2.5 bil.	$696.8 mil.
Louisiana	508,557	$85.7 bil.	$4.1 bil.	107,158	$2.7 bil.	$788.2 mil.
Maine	172,851	$29.1 bil.	$1.8 bil.	34,115	$925.3 mil.	$262.1 mil.
Maryland	605,709	$102.1 bil.	$6.4 bil.	131,092	$3.2 bil.	$947 mil.
Massachusetts	727,802	$122.7 bil.	$8.5 bil.	168,413	$3.9 bil.	$1.1 bil.
Michigan	1.2 mil.	$196.3 bil.	$12.6 bil.	215,293	$6.2 bil.	$1.8 bil.
Minnesota	625,142	$105.4 bil.	$7.7 bil.	132,723	$3.3 bil.	$963.2 mil.
Mississippi	314,251	$53 bil.	$4 bil.	62,661	$1.7 bil.	$476.6 mil.

	2019			March-July 2020		
	Jobs	Sales	Taxes	Lost Jobs (As of July)	Lost Sales (March-July)	Lost Rent (April-July)
Missouri	685,279	$115.5 bil.	$5.3 bil.	144,372	$3.7 bil.	$1 bil.
Montana	99,458	$16.8 bil.	$103.5 mil.	26,651	$532.4 mil.	$157.9 mil.
Nebraska	217,744	$36.7 bil.	$2.3 bil.	47,341	$1.2 bil.	$336.8 mil.
Nevada	317,325	$53.5 bil.	$3.8 bil.	73,922	$1.7 bil.	$458.3 mil.
New Hampshire	193,384	$32.6 bil.	$161 mil.	38,676	$1 bil.	$289.1 mil.
New Jersey	990,468	$167 bil.	$12.2 bil.	192,750	$5.3 bil.	$1.5 bil.
New Mexico	216,129	$36.4 bil.	$2 bil.	43,899	$1.2 bil.	$331.3 mil.
New York	2 mil.	$342.5 bil.	$16.7 bil.	429,911	$10.9 bil.	$3.2 bil.
North Carolina	1.2 mil.	$199.1 bil.	$9.9 bil.	236,755	$6.3 bil.	$1.8 bil.
North Dakota	72,911	$12.3 bil.	$703.2 mil.	20,070	$390.3 mil.	$119.8 mil.
Ohio	1.5 mil.	$257.2 bil.	$15.6 bil.	270,159	$8.2 bil.	$2.3 bil.
Oklahoma	477,261	$80.5 bil.	$3.8 bil.	85,015	$2.6 bil.	$717.3 mil.
Oregon	442,593	$74.6 bil.	$289 mil.	98,614	$2.4 bil.	$665.5 mil.
Pennsylvania	1.5 mil.	$249.1 bil.	$16 bil.	276,104	$7.9 bil.	$2.3 bil.
Rhode Island	130,897	$22.1 bil.	$1.7 bil.	24,944	$700.8 mil.	$192.8 mil.
South Carolina	655,044	$110.4 bil.	$7.1 bil.	120,787	$3.5 bil.	$978.6 mil.
South Dakota	78,956	$13.3 bil.	$679.7 mil.	22,435	$422.7 mil.	$128.2 mil.
Tennessee	812,151	$136.9 bil.	$9.9 bil.	159,603	$4.3 bil.	$1.2 bil.
Texas	3.1 mil.	$519.7 bil.	$35.9 bil.	644,998	$16.5 bil.	$4.6 bil.
Utah	318,385	$53.7 bil.	$3.4 bil.	73,500	$1.7 bil.	$466.4 mil.
Vermont	49,409	$8.3 bil.	$610.7 mil.	15,559	$264.5 mil.	$75.9 mil.
Virginia	907,101	$152.9 bil.	$8.9 bil.	191,383	$4.9 bil.	$1.4 bil.
Washington	712,670	$120.2 bil.	$8.3 bil.	167,646	$3.8 bil.	$1.1 bil.
West Virginia	251,975	$42.5 bil.	$2.7 bil.	36,673	$1.3 bil.	$389.2 mil.
Wisconsin	720,171	$121.4 bil.	$6.5 bil.	137,487	$3.9 bil.	$1.1 bil.
Wyoming	49,049	$8.3 bil.	$447 mil.	13,380	$262.6 mil.	$76.8 mil.
U.S. Total	35.6 mil.	$6 tril.	$369.2 bil.	7.4 mil.	$190.4 bil.	$54 bil.

Sources: ICSC Research, NCREIF, CoStar, Bureau of Labor Statistics, Sales Tax Clearinghouse and U.S. Census Bureau.

The shopping center industry is one of the most distressed industry sectors impacted by COVID-19. As our members work with state and local governments on responsible re-opening measures, it will take time for "normal" consumer activity to return. Without meaningful assistance and urgent relief the communities we serve will suffer as property and sales taxes disappear, property values plummet and vacant shopping centers and shuttered store fronts become the norm across our country. Congress and state legislatures must act now to bring life back to our communities and our communities back to life.

ICSC

For more information, contact ICSC Global Public Policy at gpp@icsc.com.

COVID–19 REVENUE LOSS DASHBOARD DATA, SUBMITTED BY SENATOR JONES

COVID19 Revenue Loss by Municipality

Revenue Loss							
Municipality	March	April	May	June	July	August	Grand Total
Alabaster		($117,647.00)					($117,647.00)
Albertville	($19,479.44)						($19,479.44)
Aliceville	($6,905.00)	($2,688.00)					($9,593.00)
Atmore	$35,000.00	($84,900.00)					($49,900.00)
Auburn	($527,724.00)	($1,086,815.00)	($136,499.00)	($109,406.00)			($1,860,444.00)
Bakerhill	$4,028.44	$14,615.44		$22,371.45			$41,015.33
Bay Minette		($11,034.40)					($11,034.40)
Birmingham	$1,390,584.84	($6,598,277.40)	($3,124,808.75)				($8,332,501.31)
Brilliant	$129.60	$172.80	$401.60				$704.00
Brundidge	($3,193.07)	($6,320.56)	($3,972.74)	$9,487.58	$20,415.79		$16,417.00
Cleveland	($331.62)			$16,513.41			$16,181.79
Columbiana	$69,998.84						$69,998.84
Creola	($5,228.53)	($8,495.91)	($1,426.56)				($15,151.00)
Daleville	$14,954.55	$36,988.72					$51,943.27
Daphne	($59,000.00)	($71,651.00)	($57,833.00)				($188,484.00)
Dauphin Island			($71,256.00)				($71,256.00)
Decatur	($132,940.18)	($303,758.00)	$137,363.00	$500,427.00	$104,748.00		$305,839.82
Demopolis	($34,322.62)	$38,335.77	($23,816.61)				($19,803.46)
Dothan	$260,678.58	($586,409.51)	$532,099.42	$1,857,834.89	$734,621.30		$2,798,824.68
Elba	($11,825.09)	($11,085.79)					($22,910.88)
Eufaula	($88,194.00)	($94,768.00)	($54,019.00)	($37,256.00)	$117,973.00		($156,264.00)
Fairhope	($150,998.22)	($60,139.27)	($236,115.49)				($447,252.98)
Flomaton		($14,595.36)	($30,600.17)				($45,195.54)
Florence			($735,853.00)				($735,853.00)
Foley	($659,565.00)	($688,679.65)	($103,472.04)	($54,541.80)			($1,506,258.49)
Gadsden	($510,332.00)	($545,652.07)		($306,857.00)			($1,362,841.07)
Glencoe	($5,112.00)						($5,112.00)
Gulf Shores	($1,238,157.00)	($1,373,519.00)					($2,611,676.00)
Guntersville	($19,646.91)						($19,646.91)
Haleyville		($26,027.61)					($26,027.61)
Hoover	($984,008.00)	($1,522,725.00)	($520,295.00)	($278,456.00)	($278,838.13)		($3,584,322.13)
Huntsville	($207,163.46)	($4,502,589.14)		($405,997.24)		($280,221.81)	($5,395,971.65)

Jacksonville	$70,158.88	$16,851.29					$87,010.17
Jasper	($87,000.00)	($183,435.00)	$80,228.09	$94,195.00			($96,011.91)
Livingston	($15,477.86)	($12,950.48)	($30,355.93)	($23,145.75)			($81,930.02)
Madison	($154,459.94)	$86,711.00	($123,956.00)	($157,495.00)			($349,199.94)
Mobile	$435,916.05	($2,605,922.51)	($2,309,382.86)	$446,356.69			($4,033,032.63)
Monroeville	$25,391.17						$25,391.17
Montevallo	($7,467.00)						($7,467.00)
Montgomery	($371,792.00)	($2,930,965.68)	($16,406.00)	($933,484.78)	($593,714.12)		($4,846,362.58)
Moulton	($8,322.40)						($8,322.40)
Moundville	$2,104.99						$2,104.99
Muscle Shoals	($8,552.00)	($2,517.00)	$321,597.00	($96,836.00)			$213,692.00
Opelika	($285,553.00)	($455,842.00)	$86,145.00	($8,753.00)			($664,003.00)
Orange Beach	($1,537,093.00)	($1,952,697.00)	$287,173.00				($3,202,617.00)
Oxford	($292,654.00)	($397,669.00)	($49,353.00)	($61,464.00)			($801,140.00)
Pelham	($98,057.33)	($139,332.37)	$148,154.18	$170,231.71	$278,962.89		$359,959.08
Perdido Beach	($1,281.81)	($504.35)					($1,786.16)
Satsuma		($16,102.00)	($28,975.00)	($2,978.27)			($48,055.27)
St. Florian	($472.62)						($472.62)
Sumiton	($1,952.89)	($2,455.82)	($2,775.13)				($7,183.84)
Town Creek	$768.81						$768.81
Town of Grove Hill	($719.00)	($1,483.00)					($2,202.00)
Town of New Site	$3,365.16	$10,611.67					$13,976.83
Town of St. Florian	($595.08)						($595.08)
Tuscaloosa	($806,769.20)	($1,866,759.66)	($694,048.46)	($177,866.01)			($3,545,443.33)
Tuskegee	($66,615.77)	($122,828.28)	$75,425.88				($114,018.17)
Grand Total	**($6,095,881.13)**	**($28,204,955.14)**	**($6,686,632.57)**	**$462,880.88**	**$384,168.73**	**($280,221.81)**	**($40,420,641.03)**

The above data are derived from the Alabama League of Municipalities' COVID19 Revenue Loss Portal as of September 21, 2020. Municipalities began submitting revenue losses to the COVID-19 Revenue Loss Portal in March. For more information, please visit almonline.org.

Combine Municipality Losses by Revenue Source		
Revenue Source	**Revenue Loss**	**Percentage Losses**
Gas Tax	($1,733,363.87)	-13.9%
Lodgings Tax	($18,531,376.52)	-46.3%
Occupational Tax	($720,914.09)	-2.0%
Rental and Leasing Tax	($1,283,732.88)	-10.7%
Sales and Use Tax	($18,151,253.67)	-4.1%
Grand Total	**($40,420,641.03)**	**-7.4%**

The above data are derived from the Alabama League of Municipalities' COVID19 Revenue Loss Portal as of September 21, 2020. Municipalities began submitting revenue losses to the COVID-19 Revenue Loss Portal in March. For more information, please visit

STATEMENTS OF SOUTH DAKOTA BANKERS, SUBMITTED BY SENATOR ROUNDS

Senator Mike Rounds
Senate Committee on Banking, Housing, and Urban Affairs
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BANK #1

Overall Perspective:

We are a $1.2B bank in central SD. We processed roughly 800 PPP loans ranging from 2,000-5,000,000. General observations from this sample.

- The larger PPP loan applications tended to be with companies that had capacity to survive COVID, but the PPP loan allowed them to continue with limited disruption to their employee base....in line with the objective of the program.
- For those businesses on the smaller end of the loan size, this was truly an assist for their survival. They clearly needed it the most. While, not all will survive, it did give enough breath to countless businesses to survive and/or change their operating plan to position themselves for survival.
- I recognize that there are some bad actors out there, but I believe that we will find the real bad actors are 1% or less of our total applications and the size of those issues are nominal compared to the total.

Banking Perspective:

- I don't know of many banks that were real excited about getting involved with SBA/PPP given the history of government programs not living up to the initial fanfare. If not for the sense of obligation to our customers and our communities, I'm not sure we would have jumped into this.
- In fairness, no agency could have possibly been set up to handle the sheer volume of activity that quickly while trying to write the rules.
- The lack of answers, the changes in rules, and continued uncertainty have added to the volume of work. We have had the initial closing, but now because of delays in interpretations, we have to modify and extend these loans to delay the start of payments. Once we know what is happening with the forgiveness and EIDL grants, that may generate yet another modification and extension of the remaining loan. At this point, our customers are going to have to sign documents at least twice for these loans and a third time if they received an EIDL grant.
- Trying to answer questions of our customers, who are concerned with the process, is difficult when the SBA doesn't have answers.
- Even though the form was simplified, we are finding that we have to sit down with the borrowers on about 75% of the applications we receive, to help them correct their applications. Customers don't understand the covered period as it get complicated when filling out the form.
- SBA uses a third party vendor for their forgiveness process. Their systems do not talk with the SBA, so we have to manually enter every application. Apparently if the address, Tax ID, name, etc., don't match exactly, it puts the loan in suspense on the system with no explanation.

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Borrower perspective:

- Borrower's were directed to EIDL grant program of up to $10,000. This program was presented as a grant with a direct application to SBA.
- The PPP program was presented as a separate program for payroll. In our region, these two programs were specifically represented as separate programs and not linked together.
- Now they are linked together and you could do everything right to have the PPP loan forgiven, but if you received and EIDL grant, the amount of the grant will be the residual loan.
- We have accounting firms, recommending to their customers to not apply for forgiveness yet. Apparently, there is little clarity around the taxable impact of the forgiveness.

Overall Observation:

The EIDL grant change is a big deal. The burden of that change is far more significant on the smaller PPP requests, as the EIDL grant represents a greater percentage of the overall support they received. I know people are shocked that this grant will suddenly turn into a payment obligation, which is not consistent with what was represented up front. The smaller businesses are least equipped to handle this burden of time, effort and the surprise financial burden, as most of these business are not back to normal operations.

I'm hopeful that there will be some understanding of the difference in the typical profile of the businesses involved in the smaller PPP loans versus the larger PPP loans. I could complain about the added busy work and the lack of capacity within any agency to process or review all these loans. However, I hope people are able to step back and understand the impact of these burdens are not equal, and there should be strong consideration given to releasing that burden on our smallest businesses.

BANK #2

Random notes on PPP:

- Congress created the PPP loan program generally understanding the loans would ultimately be forgiven. Putting small businesses and banks through the process of completing forms for forgiveness is counter-productive and violates the spirit with which the PPP program was created.

- Payments start in November for the first PPP loans that were done because they had six month terms. In June, PPP was changed to allow for a ten month term. If loans are not forgiven, and forgiven quickly, we will have to generate a number of loan modifications to extend the original six month terms for those that used the proceeds of their PPP loan.

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- Our bank has submitted 5 applications for forgiveness with no response from SBA. We have another 140 applications ready to submit and will do so by the end of next week. All of these applications are for loans less than $150,000.
- Lenders are asking borrowers to wait and borrowers are getting anxious.
- As we understand it, the SBA has not yet developed procedures for processing applications for forgiveness.

BANK #3

Senator Rounds,

Thank you for the opportunity to comment on the PPP Loan Forgiveness process from the perspective of the banking side. At American Bank & Trust, a $1 Billion Community Bank, we completed 896 PPP loans for our community business for a total amount in excess of $55 Million. Of those loans made to assist our small business customers, 93% of them fall under the $150,000 level that has been publicized as potentially being forgiven with a single page attestation application.

This would be of great benefit for our customers, bankers and the SBA itself. As the process sits right now, even the simplest of loans have taken our customers up to 3-4 hours to complete and submit to the bank for consideration. The average size businesses that do not have a professional accounting firm doing the work for them have spent in excess of several days attempting to put all of the information together.

Thus far, the applications that have been received at our bank are minimal, as most are waiting for further action to come from Congress to help simplify the process; however those that have been received and reviewed have all contained some type of mistake based on the instructions as they are currently written and had to be re-submitted by the borrower.

The time frame for reviewing the applications by our bank team takes in excess of 3-4 hours in order to make sure that everything has been completed and calculated correctly. Once completed, the third party portal that is used creates another lengthy process for our bankers to go through as all of the information has to be re-entered into that system. Nothing from the application process carries over to pre-populate. This has proven to be extremely time consuming and redundant.

For the forgiveness applications that have been submitted to the SBA, they have sat in a queue for over 3 weeks, with no action being taken. Representatives from SBA have admitted off the record that they do not see how these applications will possibly be processed in the outline time frame that has been proposed.

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In addition, the third party portal does restrict the number of users that can access the system and do the input processes, which will overload our staff if we were to have to run all 896 PPP loans through this process. Community Banks such as ours are already under stress in dealing with the continued struggling business climate that is going to only get worse if additional stimulus benefits are not made available for our customers who are struggling to survive.

Passing the current proposed legislation for the PPP loans under $150,000 would be of great benefit to our bank and all community banks like us, but even more importantly is the benefit that it would bring to the SBA itself. They have not been able to handle the overwhelming volume and complexity of setting of a reasonable system and process for getting the forgiveness process completed, and providing the relief that our small businesses need so badly at this time.

Respectfully,

John Buchholz
CCO/SVP American Bank & Trust

BANK #4

Great Plains Bank, a $130 million community bank with 3 offices located in North Central South Dakota, was actively involved in the Payroll Protection Program. Our customers were greatly helped by the Program. We extended 215 PPP loans totaling $13,463,899. All loans were extended to small businesses resulting in an average loan size was $62,622. We were able to help many of the small business simply because our dedicated staff took time to meet with these borrowers late at night and early in the morning. The process required considerable "hand holding" to get the applications completed. An expedited and automated forgiveness program for loans under $150,000 would be most helpful to our borrowers. These small business people clearly qualify for the forgiveness but will be burdened to find the time and expertise necessary to complete the forgiveness applications.
Peter Mehlhaff
President
Great Plains Bank
Aberdeen, SD

BANK #5

I would agree that the most cumbersome issue we have been seeing that effects smaller businesses is the amount of documentation necessary for the bank to complete an true validation of costs paid and incurred by the borrower to obtain SBA approval of forgiveness. This can be a variety of documents to support payroll, utilities and rent expenses. Rent lease agreements, bank statements, federal and state quarterly tax filings, cancelled checks/proof of payments, etc. just to name the most common. A larger corporation will likely utilize a 3rd party accounting service and are able to obtain those documents easily. Our smaller businesses will likely spend quite a

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bit of time tracking down the necessary proof for forgiveness or just simply will not have acceptable proof per SBA guidelines.

The bank needs all this information to accurately validate costs which, for the average customer will take a huge chunk of time. Our validation procedure is based directly around current SBA guidance for forgiveness and since we are not the final approvers we have no ability to make exceptions.

An example of this- a business moved at the end of February. They signed their new rental agreement on Feb. 29, 2020. This means they do not have a current rental agreement showing proof of obligation before Feb. 15, 2020 therefore we are unable to include rent paid and incurred during the covered period of when they obtained their PPP loan. In this specific situation I feel the bank would say this is a common sense situation and if the ball was solely in our court we would include it. However, our hands are tied and ultimately we are unable to include the rent expense since it doesn't meet all the criteria necessary per the SBA guidelines.

Having the automatic Loan forgiveness under $150,000 would have an extremely beneficial impact. Most importantly from the borrower's perspective but also the Bank's. The forgiveness application is very demanding in the amount of documentation and time our small business customers will have to provide. A large percentage in the group under $150,000 will not be adequately prepared and most are the hardest hit businesses in the Pandemic.

Since we haven't opened our Portal to the broad customer base, we don't have specific examples to share.

The bank has already spent thousands of hours preparing and training to start the forgiveness process. This spring, we were working 16-18 hour days to process PPP loan applications to serve customers. Customers needed immediate help and we wanted to do everything we could to help them. Now those same customers are going to be relying on us to assist them in getting forgiveness. Many businesses are barely holding on, now asking them to spend a large amount of time to apply for forgiveness is not going to help them keep their business open.

BANK #6

Chris Ekstrum – President & CEO – First National Bank in Sioux Falls – Sioux Falls, SD

The First National Bank in Sioux Falls has provided approximately 925 PPP loans totaling more than $100 million to local small businesses. On September 10th, we began processing forgiveness applications. We were well prepared and, for months, have provided regular communication updates to our borrowers to guide them through the forgiveness process. But in the approximate two weeks that we have been processing forgiveness applications, we have found the complexity of the process has challenged our borrowers. To date, it has been rare to receive a complete forgiveness application where we have not had to follow up with the borrower for additional information or to address questions that they have. The resulting

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requirement for multiple touches for each borrower has already been taxing to our bank processing staff and frustrating for our small business customers.

We have currently received forgiveness applications from only about 10% of our PPP borrowers, so most of our work still lies ahead. **Implementation, in short order, of simplified forgiveness rules, including an assumption of automatically certified forgiveness for loans under $150,000, would greatly benefit borrowers and lenders alike.** To date, we have submitted 75 forgiveness requests to the SBA portal, with the oldest submission dating back approximately five weeks. None of our submissions have moved beyond SBA's initial "pending validation" stage. Accordingly, we have concerns that the SBA will not be able to fulfill their required 90-day decision turnaround considering that the majority of forgiveness requests have not been submitted to the SBA, which will entail an increase to their approval workload.

BANK #7

641 total PPP loans. They have submitted 121 forgiveness applications. So far they have not heard anything from SBA regarding any of them. The SBA portal, which they think works fine, has not changed the status on any of the forgiveness applications. All still show "pending validation."

BANK #8

- 90% of Bank's PPP loans are for $150K or less. (Has around 1,300 total PPP loans with only 134 over $150K.)
- Has submitted 5 PPP forgiveness applications so far. (All still currently pending.)
    - 1 application for $3.1 M
        - Borrower provided information in a very organized and thorough binder.
        - Lender spent DAYS uploading all materials into online portal for forgiveness processing.
        - Unclear how many hours borrower spent preparing forgiveness application.
    - 1 application slightly above $150K
    - 3 applications below $150K

BANK #9

"The forgiveness piece of the PPP is a disaster. I have 750 out of 1,381 under $20,000. (50 under $2,000) They have basically the same forgiveness process as the loans of my largest borrower of over $4,000,000. The simplified version, is not that simple. The GAO has studied it and says it takes a borrower 15 hours to complete and the lender 75 hours to process. Our borrowers are not happy. Nor are we as bankers. This is not what we signed up for in order to

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get disaster payments to our customers. We are trying to hold off those borrowers under $150,000, but they are getting anxious. We busted our tails off to get this money out. Lenders feel as though they have really been let down. There is more than a little fatigue."

BANK #10

Senator Rounds Office

I'm a small town banker in NE South Dakota. My bank is an independent community bank with five full time employees. In April when it was announced that people could apply for SBA Paycheck Protection Program loans at any FDIC insured bank, our bank decided to prepare and participate in this program. I spent many hours working to midnight at times to get the bank prepared to process these PPP loans. Our bank did 33 loans for a total amount of $575,186.50.

As we prepare for the loan forgiveness application process, I'm quite concerned that the loan forgiveness application will be more time consuming than the original application. I have read that there has been legislation introduced to automatically forgive PPP loans under $150,000. It would be extremely helpful for our small bank if the small PPP loans would be automatically forgiven. I think I can speak for all community banks and greatly urge the passage of Paycheck Protection Program loan forgiveness for small loans.

Thank you for your time.

BANK #11

- We have found ourselves in a difficult predicament here COVID's impact has significantly increased our balance sheet. Between the PPP loans that we handled for our markets, compounded by extending the coverage period and essentially complete tax uncertainty currently, as well as the sudden drop in interest rates in the mortgage market, we are approaching the $1 billion in assets. Our initial perception was that PPP would be done and forgiven by 12/31/20 and based on extending the Covered Period, this is highly unlikely. This is a significant regulatory threshold and one that wasn't on the radar as the year started. Any regulatory relief due to this situation, driven solely by COVID, we be of benefit to ourselves and a number of other banks that had similar situations catapulted on them in 2020
- From a PPP Forgiveness perspective, we and others certainly took some blind faith with the CARES Act that the workload would be balanced between the application part and forgiveness. In all actuality, for larger loan sizes, the application appears to be only about 25% of the work, with 75% left to go. With the economy starting to rebound we are back in the trenches trying to help customers get the capital they need to survive and thrive, whereas at application time, this wasn't a factor. Unfortunately the work left to do on PPP and the demands coming at us from our customers is overly intense and I personally feel like something has to give. Our hope is that we don't have to step away from our customer base as they get back on their feet to push unnecessary paperwork for the PPP

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> forgiveness. The ideas we have heard for that $150,000 threshold and the borrower certifications are good news to us and would greatly help relieve the burden on closing out the PPP process, however, with the unknowns as to the burden, we don't know how we are going to need to allocate our staff's time as we close out the year. We'd prefer to help rebuild the economy instead of pushing a lot paperwork on smaller loans.

Total loans 876 loans for 77,782,764

Loans over 150K 76 loans for $57,362,133

In the PPP loan process the bank utilized 17 to 20 people to originate the loans.

In the forgiveness process the bank using 5 to 7 people as we need to ensure we get back to banking and thus the process for forgiveness will be far more difficult. We have found the process to take 1-2 hours at minimum per loan to submit and 7-8 hours for those loans over $2MM which require audits as they request documents from loan origination as well as loan forgiveness process.