Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2022

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2022.

ENSURING AN EQUITABLE RECOVERY AND ECONOMIC OPPORTUNITY FOR ALL

In the 117th Congress, the Committee on Financial Services is working closely with the Biden Administration to advance policies to provide a strong, equitable recovery from the COVID-19 pandemic, protect consumers and investors, promote diversity, inclusion and racial equity, hold financial institutions and firms accountable, and ensure fair and affordable housing for all.

The COVID-19 pandemic has taken more than half a million lives in the U.S. and caused widespread damage to the U.S. economy. Millions of people have lost their livelihoods, putting families on the verge of eviction or foreclosure, and causing widespread hunger. Small businesses in communities across the country have had to close their doors, harming local economies. Communities of color have been disproportionately harmed by this crisis. For Fiscal Year (FY) 2022, Congress must pass a budget that provides strong funding for critical programs that are more important now than ever as individuals, families and small businesses work to recover from the pandemic crisis.

The Committee also recognizes that continued global economic cooperation is necessary to address a pandemic that is global in nature, and that our own recovery is linked to the rest of the world not only economically but also with respect to new, virulent strains of the virus from abroad. The Committee believes that compassion and humanitarian values to help alleviate human suffering in other parts of the world should be reflected in the Committee's support for an ambitious response to the crisis internationally.

President Biden has put the nation on the path to recovery with the American Rescue Plan, which provided $76.2 billion in relief under the Committee's jurisdiction, and now is advancing the American Jobs Plan, an infrastructure package that will make vital investments in our country, including key investments in affordable housing infrastructure under the Committee's jurisdiction. The Committee strongly supports the Biden Administration's agenda and policies to benefit hardworking and vulnerable individuals and families. Consistent with that agenda, the Committee calls upon Congress to support the following programs and policies.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) plays a critical role in our nation's housing market and social safety net with a mission to "create strong, sustainable, inclusive communities and quality affordable homes for all." HUD programs help lift families out of poverty and homelessness, expand homeownership to underserved borrowers, bolster the economy, and ensure equal access to housing opportunities. As our nation continues to grapple with the coronavirus pandemic and its effects on the economy and public health, HUD programs have become even more essential to ensuring struggling families have fair access to safe, decent, and affordable housing. That is, in part, why the Committee will consider "The Housing is Infrastructure Act of 2021," which would provide over $200 billion in new funding for HUD and other housing programs to sustain and create affordable homes. Likewise, the FY 2022 budget should reflect the growing need for affordable housing resources and robustly fund HUD housing and community development programs, as well as fully staff HUD to address such needs. As such, the Committee supports at least $68.7 billion in total funding for the FY 2022 HUD budget.

Homeless Assistance Programs

According HUD's 2020 annual point in time count, which was conducted prior to the coronavirus pandemic, there was a 2.2% increase in the number of people experiencing homelessness since 2019, marking the fourth year in a row that homelessness has increased in the United States. On any given night, over 580,000 people have no place to sleep other than emergency shelters, streets, and other places not fit for human habitation. The Committee fully supports the goal of ending homelessness and provided significant new resources through the American Rescue Plan, including $5 billion in homeless assistance through the HOME program and $5 billion in Housing Choice Vouchers targeted to people experiencing or at risk of homelessness, domestic violence survivors, and victims of human trafficking. The Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 also provided $4 billion in homeless assistance through HUD's Emergency Solutions Grants program. The Committee believes that the FY 2022 budget should reflect that ending homelessness is a priority and provide at least $3.5 billion in funding to further address the growing need for homeless assistance, including through homeless assistance grants. To address this issue last Congress, the Committee passed H.R. 1856, the "Ending Homelessness Act of 2019" to provide over $13 billion in new funding to ensure that every person experiencing homelessness in America has a place to call home, while some of this funding along with several Committee bills were signed into law, including through COVID relief legislation, H.R. 4029, the "Tribal Access to Homeless Assistance Act", and H.R. 2398, the "Veteran HOUSE Act." This Congress, the Committee will consider proposals to expand and better target funding for families and individuals who are experiencing or at risk of homelessness. In particular, the Committee will review proposals to address the alarming increases in individuals experiencing long-term and unsheltered homelessness. It is this population that has largely driven the overall increase in homelessness in our country. Currently, more homeless individuals are now experiencing unsheltered homelessness (51%) than sheltered homelessness (49%). However, HUD has found that compared to other homeless populations, individuals experiencing homelessness face the largest gap between the resources available and the resources needed to move this population into housing.

Rental Assistance Programs

HUD's rental assistance programs are responsible for providing stable housing for over 10 million individuals in nearly 5 million homes across the country. Without this important federal assistance, millions of current and future households would be severely rent-burdened or homeless. According to the Center on Budget and Policy Priorities, federal rental assistance has kept 4.1 million people, including 1.4 million children, out of poverty. In particular, public housing is home to nearly one million families, with nearly sixty percent of families headed by a person who is elderly, disabled, or both, and more than forty percent of families in public housing having school-aged children at home. Federal rental assistance has played a critical role in our country's social safety net during the coronavirus pandemic and the subsequent downturn in the U.S. economy by helping assisted families maintain stable affordable housing. The Committee recognizes the importance of these programs and, in addition to passing the American Jobs Plan, supports at least $3.2 billion for Public Housing modernization, at least $180 million for Section 811 Supportive Housing for People with Disabilities and Section 202 Supportive Housing for the Elderly to preserve and expand the supply of fair, affordable, and accessible housing, as well as at least $30.4 billion to sustain and expand housing choice vouchers.

Federal Housing Administration

The Federal Housing Administration (FHA) plays a vital role in promoting long-term stability in the housing market and expanding access to homeownership for creditworthy borrowers, especially first-time homebuyers, low- and moderate-income households, and households of color. Last year, in response to the COVID-19 pandemic, Congress passed the CARES Act, which provided FHA borrowers and other borrowers with federally-backed mortgages access to forbearance relief and instituted a foreclosure moratorium. Throughout the pandemic, Ginnie Mae borrowers, including those with FHA-insured home loans, have struggled disproportionately to stay current on their mortgage payments. In response to ongoing unemployment and rising mortgage delinquencies, Congress passed the Homeowner Assistance Fund through H.R. 1319, the "American Rescue Plan Act" to help struggling homeowners stay in their homes. The Committee supports continued efforts to ensure that hardest-hit borrowers, including low-income borrowers and borrowers of color, to maintain the health of the financial health of FHA and ensure homeowners avoid unnecessary foreclosures.

The Committee is concerned that FHA-HFA multifamily risk-share loans no longer have access to financing through the FHA's partnership with the Federal Financing Bank after the Trump Administration discontinued this partnership. The Committee will continue its efforts to renew this partnership and support affordable multifamily housing development that is critical to housing infrastructure.

The Committee is also concerned with FHA's current practice of charging annual mortgage insurance premiums for the life of FHA loans while private mortgage insurers cancel the requirement for mortgage insurance once the outstanding principal balance falls to 78 percent of the original home value. Last Congress, the House passed H.R. 3141, the "FHA Loan Affordability Act of 2019," which would require borrowers to pay premiums only when their loan exceeds 78 percent of the home's value. The Committee also recognizes the need to address the racial wealth gap and ongoing barriers to homeownership for communities historically excluded from such opportunities, such as people of color, and will consider legislation such as the "Downpayment Toward Equity Act," which would provide downpayment assistance to first-generation homebuyers.

The FY2022 budget should also increase funding for Housing Counseling Assistance, which helps to expand homeownership by educating prospective homebuyers and helps prevent foreclosures by providing mitigation services. Especially during the current economic crisis, housing counseling helps keep families in homes, protects the FHA Mutual Mortgage Insurance Fund, and stabilizes communities. In order to incentivize more borrowers to obtain housing counseling, the House passed H.R. 2162, the "Housing Financial Literacy Act of 2019" last Congress, which would lower insurance premiums for FHA borrowers who choose to receive housing counseling.

Government National Mortgage Association

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

Housing Development Programs

HUD programs that support housing development, such as the HOME Investment Partnerships program (HOME), and the National Housing Trust Fund (HTF), play key roles in addressing the inadequate supply of affordable housing, particularly for the lowest income families. As communities begin to recover from the coronavirus pandemic, these programs will become even more essential to helping communities acquire and convert residential and commercial properties that come up for sale due to the economic downturn into affordable housing. For this reason, the Committee supports at least $1.9 billion in funding for the HOME Program and robust funding for HTF in FY22. The Committee will also consider legislation to address additional funding needs, including consideration of the American Jobs Plan. In addition, the Committee supports at least $400 million for HUD's Healthy Homes Program to ensure the U.S. housing stock is safe and decent—free from lead and other hazardous toxins that compromise the health and well-being of families and children.

Community Development

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure and affordable housing needs and expand economic opportunities principally for low- and moderate-income people. CDBG funds can be used for a wide array of community activities, including those that address conditions that pose a serious and immediate threat to the health and safety of residents. To help communities respond to the immediate public health and economic effects of the coronavirus pandemic, Congress provided $5 billion in CDBG funds through the CARES Act. As communities continue to work to mitigate the short- and long-term economic effects of the coronavirus pandemic, CDBG funds will serve as an essential and flexible tool to spur economic development and job growth. Indeed, CDBG yields more than $4 in private funding for every $1 of CDBG funding invested and has created or retained over 420,000 economic development related jobs between FY 2015 and FY 2018, benefiting over 47 million low- and moderate-income people through affordable housing and public services. The Committee supports at least $3.8 billion in funding in the FY 2022 budget to carry out the CDBG program fully and will consider legislation to ensure this program can address additional need, including an incentive grant program to encourage jurisdictions to remove local barriers to building affordable housing. In addition to consideration of the American Jobs Plan, the Committee also supports an allocation of at least $800 million for a new CDBG set-aside in FY 2022 to improve resiliency and energy efficiency in the U.S. housing stock.

Fair Housing

HUD plays a central role in fighting discrimination in housing and promoting fair housing practices, primarily through its implementation and enforcement of the Fair Housing Act. In order to promote robust enforcement of the Fair Housing Act, the Committee supports at least $85 million in FY 2022 funding for HUD's fair housing programs as well as to increase personnel in the Office of Fair Housing and Equal Opportunity. The Committee will continue to take steps to ensure that HUD and its programs are fully equipped to enforce the Fair Housing Act, including through the consideration of legislation like H.R. 68, the "Housing Fairness Act of 2021" and the American Jobs Plan.

Native American Housing

The Committee supports the fundamental recognition of tribal self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). In addition to the funding provided through COVID relief legislation, such as the American Rescue Plan, as the Committee supports at least $900 million in FY 2022 funding for the NAHASDA programs. The Committee will consider legislation to reauthorize and strengthen NAHASDA programs and ensure inclusion of the descendants of Native American Freedmen, in accordance with existing Treaty agreements.

USDA'S RURAL HOUSING PROGRAMS

The United States Department of Agriculture's (USDA's) Rural Housing Service (RHS) plays a distinct and critical role in the Federal government's housing assistance strategy, and in the housing market overall. RHS programs help address unique housing challenges that rural residents and communities face, including the prevalence of substandard housing conditions, the challenges of farm workers remaining stably housed despite the seasonal nature of their work, and the lack of access to affordable mortgage credit in some rural areas. Unfortunately, due to the lack of funding and lack of a strategy from USDA, hundreds of thousands of multifamily units are projected to exit USDA programs that keep the units affordable for low-income residents in the coming decades. To ensure robust funding for RHS to address these challenges in the rural housing stock, the Committee passed H.R. 3620, "The Strategy and Investment in Rural Housing Preservation Act of 2019," which authorized $1 billion to preserve RHS-subsidized properties and prevent resident displacement. The Committee also provided $100 million in the American Rescue Plan for additional rural rental assistance for families struggling to pay rent during the coronavirus pandemic.

USDA's single-family housing programs also provide unique mortgage products to help low- and moderate-income rural households gain access to homeownership. The Committee will consider proposals to ensure that loss mitigation requirements under these programs are serving borrowers effectively. The Committee also supports increased funding for the Section 502 Direct Loan program, which serves low income households. The Committee provided $39 million in COVID-relief funding through the American Rescue Plan to assist struggling rural homeowners.

GOVERNMENT SPONSORED ENTERPRISES

The Committee believes that a robust mortgage market is required to sustain the middle class and broad economic growth. The secondary mortgage market plays a significant role in ensuring the health of the financial system, especially in times of economic downturn as the U.S. has experienced during the ongoing COVID-19 pandemic. Efforts to reform that market should: maintain affordable, long-term fixed-rate mortgage products such as the 30-year pre-payable fixed rate mortgage; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity to the market; support a broad-based strategy for promoting access to affordable housing, including affordable rental housing; and ensure that financial institutions of all sizes can equally participate in the market.

The Committee has several concerns with housing finance reform efforts driven by the Trump Administration and that continue under Director Calabria's leadership. Such concerns involve increases to Fannie Mae and Freddie Mac's capital retention, which could severely restrict access to credit, especially for communities of color, and significantly disrupt the housing finance market at a time of economic uncertainty due to the pandemic. The Committee will continue to monitor the Federal Housing Finance Agency's actions to increase Fannie Mae and Freddie Mac's capital retention, as well as its oversight role as conservator of the enterprises.

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP), which provides flood insurance to over five million homeowners, renters, and businesses, is set to expire on September 30, 2021. The last long-term authorization of the NFIP expired on September 30, 2017. Ever since, Congress has been passing short-term extensions without a comprehensive plan to provide certainty to the market, keep flood insurance affordable, or deal with the lack of stable funding for mapping or mitigation. The Committee believes that the NFIP must be reauthorized for the long term with a plan to keep coverage affordable and available, to adapt to a changing climate, and to keep our communities resilient in the face of increasing flood risks. That is why the Committee unanimously passed H.R. 3167, the "National Flood Insurance Program Reauthorization Act".

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

SECURITIES AND EXCHANGE COMMISSION

The Committee supports robust funding for the FY 2022 budget of the Securities and Exchange Commission (SEC) so that it is able to fulfill fully its three-part mission to: (1) protect investors; (2) maintain fair, orderly, and efficient markets; and (3) facilitate capital formation. Pursuant to that mission, on an annual basis, the SEC oversees approximately $97 trillion in securities trading on U.S. equity markets and more than 27,000 market participants. These market participants include investment advisers, mutual funds, broker-dealers, national securities exchanges, credit rating agencies, clearing agencies, and self-regulatory organizations. The SEC also reviews the disclosures and financial statements of over 7,600 reporting companies. The SEC is responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate disclosure violations to fraudulent sales of complex financial products.

In 2020, the SEC ordered record amounts in disgorgement and penalties. Nonetheless, the number of enforcement cases declined. Thus, the Committee urges the SEC to prioritize its enforcement and examinations activities, and to complete the remaining Dodd-Frank Act rulemakings including, without limitation, rulemaking pursuant to Section 929X(a) of the Dodd-Frank Act.

The Committee is concerned about several market infrastructure issues highlighted by the recent GameStop controversy, including the inherent conflicts of interest between best execution and payment for order flow; the emergence of gamification and how it manipulates investor conduct; striking the right balance between investor protection and market access; the efficacy of anti-market manipulation laws and whether technology and social media have outpaced regulation in a manner that leaves investors and the markets exposed to unnecessary and avoidable risks. Further, the fact that a single market maker executed 47% of U.S. listed retail volume caused the Committee to raise concerns of systemic risks. These concerns have only grown as the default of Archegos Capital Management, a family office, caused significant losses to banks, a decline in banks' share prices, and a decline in the share prices of liquidated securities.

In addition, the SEC must vigorously police the markets through regular compliance checks, including cycle and cause examinations. In particular, the SEC should examine how and whether market participants are preparing for the transition from the London Inter-Bank Offered Rate, firms' compliance with Regulation Best Interest and Form CRS, and how firms are implementing financial technology. Further, during the coronavirus pandemic many market participants kept their employees safe by allowing remote work arrangements that alter a company's cybersecurity risk profile. Thus, the Committee urges the SEC to focus examinations on cybersecurity and business continuity, not only in terms of how firms managed pandemic-related risks, but also how firms are preparing for other significant business interruptions, such as extreme weather events caused by climate change. The Committee also encourages the SEC to continue its focus on registered investment advisers to private funds, with an emphasis on disclosure of investment risks and conflicts of interest.

On March 15, 2021, the SEC requested public comment on climate disclosures. The Committee encourages the SEC to ensure that public companies disclose climate change risks and risk management, as well as other environmental, social, and governance (ESG) information, such as exposure to risks related to cybersecurity threats, human capital management, political spending, foreign tax reporting, and supply chain risk.

The Committee urges the Commission to place paramount importance on shareholders' ability to engage with the companies they invest in. This includes safeguarding the principle of "one-share, one-vote," shareholders' ability to submit and resubmit proposals, and fiercely protecting the independence of proxy voting advice. The SEC should reverse its July 2020 rules governing proxy solicitations, which deny independent information to investors who rely on advice from proxy advisory firms.

During the Trump Administration, the SEC imposed a hiring freeze that resulted in the loss of hundreds of critical positions. The Committee expects the SEC to promptly fill the personnel backlog created by the previous administration to tackle emerging challenges facing our capital markets. Specifically, SEC should hire personnel with expertise in areas like climate change and cybersecurity, and to expand the SEC's Office of Minority and Women Inclusion so that the office can play a greater role in the SEC's policymaking process.

Additionally, there is also a growing risk to investors from the gap between regulation and innovation. To close this gap, the SEC in December 2020 converted the Strategic Hub for Innovation and Financial Technology (FinHub) to a stand-alone office. It is crucial that the SEC staff this new office with employees who have the specialized expertise needed to help the Commission foster responsible innovation. It is also important that the SEC invest in its own technology and regulatory infrastructure, including completion of the Electronic Data Gathering, Analysis, and Retrieval Modernization project and ensuring the Consolidated Audit Trail is fully operational. For these reasons, the Committee supports the full allocation to the Reserve Fund created in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

FINANCIAL CRIMES ENFORCEMENT NETWORK

As America's Financial Intelligence Unit (FIU), Treasury's Financial Crimes Enforcement Network (FinCEN) safeguards the financial system by implementing and enforcing the Bank Secrecy Act (BSA), the nation's primary law governing money laundering and the financing of terrorism (AML/CTF). This agency is essential to the U.S. effort to detect and deter illicit finance by terrorists, kleptocrats, traffickers, and other criminals, such as the insurrectionists who attacked the U.S. Capitol on January 6, 2021. The Committee supports robust funding of $191 million in the FY 2022 budget to allow FinCEN's staff to properly execute its mission of "strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence." This includes regulatory actions, analytic products, data-focused activities, and engagement with public- and private-sector stakeholders.

In furtherance of this work, Congress passed the National Defense Authorization Act of 2020, which included language similar to several House bills, notably H.R. 2513, the Corporate Transparency Act of 2019, and H.R. 2514, the COUNTER Act of 2019, as law, now called the Corporate Transparency Act (CTA) of 2020 and the Anti-Money Laundering Act (AMLA) of 2020.

Buttressed by CTA and AMLA authorities, the Committee expects that FinCEN will provide regulated entities, including those located in U.S. tribal lands and territories, with guidance and feedback on illicit financing risks posed by a constantly changing threat environment, including trafficking, domestic terrorism, and vulnerabilities from emerging technologies such as virtual assets. FinCEN should also engage more closely with foreign partners, such as other FIUs, and domestic stakeholders, through newly established liaisons programs. FinCEN is also required to improve prosecution of egregious BSA violators, support BSA-related whistleblowers, close money laundering loopholes in industries such as arts and antiquities, and promote technological innovation for itself and industry to benefit AML/CFT efforts. The Committee supports fully funding FinCEN, including additional funds needed to implement the CTA and AMLA, such as the establishment of BSA-related processes for collecting and disseminating beneficial ownership information to and from a new database that will allow for transparency in corporate ownership and control.

COMMUNITY FINANCIAL INSTITUTIONS

The Committee supports fully funding programs to support diverse and mission-driven community financial institutions. Specifically, the Committee supports full funding for the Community Development Financial Institutions (CDFI) Fund. The Committee would further recommend setting aside 40 percent of funds that are provided as grants to CDFIs to support minority lending institutions (MLIs). The Committee also supports providing $10 million for the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund (CDRLF), with a 40 percent set aside for minority depository institutions (MDIs).

When the COVID-19 pandemic further disadvantaged low-income and communities of color, CDFIs and MDIs maintained their focus on helping small and minority-owned businesses in their communities while big banks prioritized supporting their wealthy existing clients. In response, Congress ensured CDFIs and MDIs had more meaningful opportunities to provide pandemic relief to small and minority-owned small businesses. In December 2020, Congress included $12 billion in the Consolidated Appropriations Act for 2021 to provide capital investments and grants to support these diverse and mission-driven financial institutions, including a 40 percent set aside for MLIs. Given that regulators have not done enough to preserve and promote minority depository institutions, as stipulated under Section 308 of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and with racial economic disparities persisting in the financial system, these funds are critical to ensuring federal support that reaches all communities and an equitable economic recovery from the pandemic.

CAPITAL MAGNET FUND

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

SMALL AND MINORITY-OWNED BUSINESSES

Small businesses are the life blood of the U.S. economy, creating nearly two-thirds of all private sector jobs over the past 15 years. The pandemic, however, has hit them hard with roughly one-third of small businesses still closed as of early February. While some programs, like the Paycheck Protection Program (PPP) have helped, the calls for help from small and minority-owned business owners persist. As such, the Committee supports the implementation of the recently renewed State

Small Business Credit Initiative (SSBCI) administered by the Department of the Treasury. SSBCI will support state, territory, and tribal government efforts to provide up to $100 billion in low cost loans and equity investments in small businesses harmed during the pandemic and to support a robust recovery.

Following the 2008 financial crisis, Congress created the SSBCI, which leveraged $1.5 billion in federal funds to support $10.7 billion in small business loans and investments that helped create or retain over 240,000 jobs. The median small business receiving support had 3 full-time employees and received a loan or investment of $33,000. As enhanced by the American Rescue Plan Act with $10 billion, the renewed SSBCI will provide expanded support to small businesses, incentivize states to reach minority-owned and other underserved businesses, and provide technical assistance to small businesses that need legal, financial, accounting, and other forms of advice to apply for various support programs.

CONSUMER FINANCIAL PROTECTION BUREAU

The Committee remains strongly supportive of the structure, independent funding stream, and the consumer driven mission of the Consumer Financial Protection Bureau (Consumer Bureau or CFPB), which was created under the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), to help ensure a fair and transparent marketplace for both consumers and the lending industry. The Consumer Bureau has addressed predatory and illegal conduct in the lending and finance industry since it opened in 2011. The agency's consumer complaint database has received over 2 million consumer complaints with a 98 percent timely response rate by financial firms to those complaints. 175 million people, including those in the military harmed by predatory actors, have been eligible for relief totaling nearly $13 billion due to the CFPB's enforcement work.

The Committee is committed to preserving the independence of the Consumer Bureau, and rejects attempts to weaken the agency, including proposals to replace the CFPB's independent funding with the Congressional appropriations process. It is important for the one federal agency dedicated to protecting consumers in the financial marketplace remain independent and have access to consistent funding to support its vital work.

Despite the CFPB's early successes on behalf of consumers, the Committee remains concerned by the legacy left behind by the Trump Administration's appointees when they took over the agency's leadership in November 2017 through early 2021. Under Mick Mulvaney and Kathy Kraninger, CFPB's enforcement activity sharply decreased, fair lending efforts were largely diminished, previous rules to protect consumers such as those relating to payday lending were shelved in favor weaker and severely ineffective measures, student lending concerns were suppressed, and staff with a documented history of racist and homophobic hate were hired and awarded key positions in the agency, demonstrably harming employee morale. Furthermore, consumers were left further behind during the economic and health crises caused by the COVID-19 global pandemic when credit report dispute and mortgage servicing standards were relaxed with little recourse for consumers. The Committee supports efforts by the new leadership of the CFPB to: (a) reverse recently proposed or finalized rules that would aide financial predators' victimization of American families, including with respect to lending, credit reporting, and debt collection practices, and (b) aggressively enforce all consumer financial protections, especially during the pandemic.

Even with new leadership at the agency, there remain areas where consumer financial protection laws need to be strengthened by Congress. For example, the consumer credit reporting system is broken, and consumers have little recourse when there are errors in their files. Credit reporting problems have consistently been a top concern amongst consumers, with CFPB database complaints regarding credit reporting surging 50 percent in 2020, reaching 48,558 complaints in December 2020 alone, an all-time high. Potential reforms include those the House passed in the 116th Congress, such as H.R. 3621, the Comprehensive Credit Reporting Enhancement, Disclosure, Innovation, and Transparency Act of 2020 to empower and protect consumers with respect to credit reporting, as well as H.R. 5332, the Protecting Your Credit Score Act of 2020 to make the credit reporting process easier to understand and interact with for consumers.

Additionally, debt collection practices have garnered significant consumer complaints and warrant increased protections. Potential reforms include H.R. 1491, Fair Debt Collection for Servicemembers Act, which was previously passed by the House and would prohibit debt collectors from threatening a servicemember with reducing their rank, having their security clearance revoked, or prosecution under the Uniform Code of Military Justice for an outstanding debt.

Furthermore, consumer protections must be strengthened for student borrowers. Americans have over $1.7 trillion in student debt, as reported by the Federal Reserve, which is more than all other forms of debt, including auto loans and credit cards, except for mortgage loans. Heavy student loan debt results in financial burdens that have delayed consumers from pursuing economic advancement through starting a business or owning a home. Massive student debt also creates obstacles to starting a family or surviving after retirement. These are problems that have and increasingly will continue to harm the broader economy. The Committee continues to consider and advance legislation that would better protect and assist student borrowers.

FINANCIAL STABILITY OVERSIGHT COUNCIL AND OFFICE OF FINANCIAL RESEARCH

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

The Committee supports independent and robust funding to support the work of the FSOC and OFR. Under the Trump Administration, the budget and staffing levels were significantly reduced for both, limiting the effectiveness of these two critical organizations. Examinations into potential risks posed in the shadow banking sector were halted, and FSOC de-designated all nonbank financial companies and took an activities-based approach that turned a blind eye to emerging threats to the financial system, such as the substantial risks posed by climate change.

The Committee supports the preservation of both the FSOC and OFR's independence from the annual Congressional appropriations process to ensure that they maintain adequate and consistent funding for their critical work mitigating a wide range of systemic risks and promoting stable economic growth. The Committee notes that their budgets are offset by a fee imposed on systemically important financial institutions, and do not affect the U.S. deficit.

ENHANCED PRUDENTIAL STANDARDS TO PREVENT FUTURE BAILOUTS

The financial crisis demonstrated that several large, interconnected financial institutions could pose an existential threat to the American financial system. These institutions' size, complexity, interconnectedness, and global scale forced the Federal government to expend enormous resources to prevent their failures and avoid an international economic collapse. The Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. The Committee supports robust enhanced prudential standards, including capital, liquidity, leverage, stress testing, and living will requirements that will constrain systemic risks posed by the largest and most complex financial institutions and prevent the kind of government bailouts experienced following the Great Recession. Additionally, the Committee supports the transparent and strong implementation of the Volcker Rule to ensure Wall Street banks no longer gamble with their customers' deposits. The Committee strongly opposes any effort to eliminate the Orderly Liquidation Authority established under Title II of Dodd-Frank under the erroneous notion that eliminating this emergency authority will decrease, instead of increase, the potential for future government bailouts and save the government money.

While Dodd-Frank and related reforms bolstered the resiliency of the financial system, the Committee is concerned by the litany of deregulatory actions taken in recent years by regulators under the Trump Administration. The Committee is concerned that the deregulatory actions recently taken weaken critical safeguards and increase the exposure to risk for taxpayers. Therefore, the Committee encourages financial regulators to reexamine the current state of the regulatory framework, particularly with respect to megabanks, and take actions to ensure appropriate safeguards against a future, costly financial crisis. Moreover, the Committee encourages financial regulators to utilize their full supervisory and enforcement authorities to hold massive financial institutions, and their senior executives, accountable when they break the law and harm consumers.

OFFICES OF MINORITY AND WOMEN INCLUSION

Throughout much of American history, women and people of color have been denied the most fundamental liberties and equal rights enjoyed by other Americans. The importance of diversity in the American experience has been cited by numerous historians, authors, and economists as one of the country's greatest assets. This principle of "diversity as an asset" was recognized nearly 75 years ago by President Franklin D. Roosevelt who, in an Executive Order banning discrimination in the defense industry, asserted "the firm belief that the democratic way of life within the Nation can be defended successfully only with the help and support of all groups within its borders."

Even as the nation's demographics become increasingly diverse, the financial services industry, in particular, has remained mostly white and male. For example, from 2007 to 2015 the overall representation of women among managers at financial services firms remained generally unchanged, while the overall representation of minorities among managers marginally increased, except for African-Americans whose representation decreased. As such, organizations must recognize the importance of maintaining a diverse workforce for innovation and competitiveness in the world economy.

To create greater accountability for diversity and inclusion in the financial services sector, Section 342 of the Dodd-Frank Act established Offices of Minority and Women Inclusion (OMWIs) in most of the federal financial agencies—the Department of the Treasury, Federal Deposit Insurance Corporation, each of the Federal Reserve banks, the Federal Reserve Board of Governors, National Credit Union Administration, Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission, and Consumer Financial Protection Bureau—that are responsible for all matters relating to diversity in management, employment, and business activities. Section 1116 of the Housing and Economic Recovery Act of 2008 created an OMWI with similar authorities at the Federal Housing Finance Agency. Additionally, Section 342(b)(3) of the Dodd-Frank Act grants OMWI Directors the duty to assess the diversity policies and practices of entities regulated by the agency

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

To remain competitive in the global market, it is vital that financial services firms and regulatory agencies attract, hire, develop, and retain a highly qualified and diverse workforce and operate in a manner that promotes an inclusive and non-discriminatory workplace. Senior leadership at the federal financial agencies must also reflect the diversity of America. For this reason, the Committee will consider legislation aimed towards increasing diversity levels in the highest ranks of federal financial agencies, such as requiring at least one female and one person of color to fill Federal Reserve Bank president vacancies.

Transparency and accountability through the disclosure of diversity data are also crucial to validating diversity and inclusion results. Last Congress, the House passed H.R. 5084 the Improving Corporate Governance Through Diversity Act of 2019, to require public companies to disclose the demographic information of their board directors, nominees, and senior executive officers, and the Committee expects to consider this and additional legislation that would increase transparency of corporate and private equity board leadership.

INTERNATIONAL MONETARY FUND

Since the beginning of the pandemic, the International Monetary Fund (IMF) has provided $107 billion in new financing to 85 member countries, including about $12 billion dollars of emergency financing to low-income countries in the form of fast-disbursing zero-interest loans with almost no conditionality. The Committee commends the IMF for also mobilizing over $700 million through the Catastrophe Containment and Relief Trust to cover IMF debt service payments for 29 vulnerable countries, allowing them to channel more of their scarce financial resources towards vital emergency medical and other relief efforts.

The Committee welcomes the decision by Treasury to support a $650 billion allocation of Special Drawing Rights by the IMF, 40 percent of which would go to low-income and emerging market countries at a time when ambitious multilateral action is needed to transform the global crisis into a fair and resilient economic recovery. In addition to freeing up resources for vaccination programs and other urgent needs, this also sends a powerful signal of renewed U.S. support for global economic cooperation.

As a critical component of the Administration's strategy on a new allocation of Special Drawing Rights, the Committee expects the Department of Treasury will seek congressional authorization to loan excess U.S. Special Drawing Rights to the IMF's Poverty Reduction and Growth Trust, which will increase the ability of the IMF to provide concessional loans to low-income countries. If requested, the Committee would support such an authorization.

As the IMF begins to move from emergency lending to more typical kinds of lending programs, the Committee cautions the Fund against a premature push for fiscal consolidation in countries still struggling to address the health and economic impact of the pandemic, including the procurement and distribution of COVID-19 vaccines.

The committee is concerned about the IMF's disbursement of $350 million in emergency assistance to the Myanmar government just days before the military coup, as part of a no-strings-attached emergency aid package to help the country battle the coronavirus pandemic and "to ensure financial stability while supporting affected sectors and vulnerable groups." Although no one predicted such a coup, the IMF presumably was aware that the military controls three government ministries and sets its own budget with no civilian oversight. Moreover, this is a military widely known for its brutality, including atrocities committed in 2017 against its minority Rohingya population during so-called "clearance operations" that the United Nations called "ethnic cleansing" and "crimes against humanity" with "genocidal intent." The committee is concerned that the Fund would find it prudent to provide unconditional, direct budget support to any government under such circumstances.

MULTILATERAL DEVELOPMENT BANKS

Multilateral cooperation is essential to addressing every major issue the world now faces—from climate change to the global pandemic to China's increasingly confrontational foreign policy. U.S. leadership at the multilateral development banks (MDBs) is not only central to their legitimacy, but they also help advance U.S. foreign policy and national security interests, as well as American values, including respect for human rights. The MDBs are providing critical support to help developing and emerging market countries mitigate the devasting health and economic impact of the global crisis.

The Committee will consider any request by the Administration to authorize U.S. contributions to the twelfth replenishment of the Asian Development Fund (AsDF-13) to which the United States pledged $177.44 million in September 2020. The AsDF is the principal channel for the Asian Development Bank to deliver grant resources to the poorest countries in Asia. U.S. In addition to leveraging other donor contributions and internally generate resources, U.S. contributions to the AsDF replenishment help project U.S. influence in a region of strategic importance.

The Committee also supports the U.S. commitment to provide debt service suspension, restructurings, and forgiveness to low-income countries participating in the Debt Service Suspension Initiative and the G-20 Common Framework for Debt Treatments. In coordination with the World Bank and the IMF, all G20 member nations, including China, have agreed to provide debt relief on comparable terms under these initiatives. United States participation will advance important national security and foreign policy goals.

The Global Agriculture and Food Security Program (GAFSP) has played an important role over the last year responding to the food security impacts of the crisis, allocating approximately $60 million in additional grant financing to COVID-19 response efforts, helping farmer-led businesses, especially smallholder farmers, access improved technologies, add value through food processing, and access new markets with the goal of reducing global hunger and malnutrition. Unfortunately, U.S. funding for GAFSP was zeroed out under the previous Administration. The Committee encourages the Administration to renew U.S. support for GAFSP, and if requested, the Committee would support a new U.S. contribution to this important multilateral food security program.

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee chaired by the Secretary of the Treasury that reviews certain transactions involving foreign direct investment in the United States to determine the effect of such transactions on the national security of the United States and to address identified national security risks. The Committee supports increased funding for CFIUS in light of its increased workload and the critical national security function it serves.

OFFICE OF FOREIGN ASSETS CONTROL

The Committee sees an increasingly important role for the Treasury Department's Office of Foreign Assets Control (OFAC) and its administration of sanctions against over 40 countries, regimes, terrorists, international narcotics traffickers, proliferators of weapons of mass destruction, financers of terrorism, and other threats to the national security of the United States. OFAC's enforcement actions and activities – including civil monetary penalties, non-public disruptive intervention, and public outreach – uncover evasion schemes and enlist the private sector in its sanctions efforts. OFAC also vigorously enforces the sanctions programs it administers and conducts civil enforcement investigations against U.S. and non-U.S. individuals and entities who threaten the integrity of its sanctions programs. Additionally, OFAC administers a licensing program through which it reviews and then authorizes or denies requests to conduct certain transactions or activities that would otherwise be prohibited. OFAC is continually evaluating and adjusting its sanctions programs to ensure illicit activity is prohibited, while activity that is consistent with or advances U.S. national security and foreign policy is allowed. The Committee also recognizes the importance of safeguarding humanitarian assistance to vulnerable populations in targeted sanctioned regimes. With respect to the People's Republic of China, the Committee believes that flexible targeted sanctions are generally more appropriate tools to change the behavior of Chinese entities than broad-brush restrictions on outbound investment that fail to prevent foreign capital flows to bad actors, are difficult to coordinate with U.S. allies and multilateral partners, and are unaccountable to Congress for the achievement of discrete policy goals. The Committee supports the FY 2022 Budget request for increased funding for OFAC.

OFFICE OF TECHNICAL ASSISTANCE

The Department of Treasury's Office of Technical Assistance (OTA) performs critical work by providing technical assistance to strengthen the capacity of finance ministries, central banks, and other government institutions in developing and transitional countries to manage public finances and effectively oversee the financial sector. OTA supports U.S. foreign policy and national security objectives by facilitating in these countries policy and administrative reforms in the areas of budget planning, effective revenue collection, judicious debt management, sound banking systems, and robust financial sector supervision. Also, given that the challenges the U.S. faces in the fight against terrorism and other illicit financing are often transnational, no nation can protect itself from these threats without cooperation from others. In this area, the work of OTA is important to creating effective partnerships abroad by helping countries build the human and institutional capacity to develop strong controls that will combat corruption, financial crimes, and terrorist financing. The Committee strongly supports fully funding this office in FY 2022.

INSPECTORS GENERAL

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

CLIMATE CHANGE

In 2020, the pandemic and the climate crisis combined to inflict considerable damage on Americans' lives and economic well-being. 2020 tied 2016 as the warmest year in recorded history, the hurricane season was the most active on record, and the wildfire season was particularly severe across the globe. In California, wildfire damage more than doubled its previous record, and new records for wildfires were set in Oregon, Washington, and Colorado. Climate change poses major threats to the safety and soundness of our financial system, and in its November 2020 financial stability report, the Federal Reserve confirmed that climate change is a threat to financial stability. Insurance companies and financial institutions are exposed to "physical risks" from climate change (*i.e*. exposure to losses that stem from the growing damage that climate disasters cause), and the resultant costs borne by insureds, insurers, and other businesses. There are also concerns about what Federal Reserve Governor Lael Brainard has called "transition risks," which "arise from changes in policy, technology, or consumer behavior that lead to a lower-carbon economy."

The Committee supports President Biden's budget request to "mount a historic, whole-of-Government-approach to combating climate change." Specifically, the Committee supports efforts by prudential regulators to monitor and measure these risks, to take robust and appropriate regulatory actions to require financial institutions to reduce their exposure to both the "physical" and "transition" risks posed by climate change and pollution from the combustion of fossil fuels.

The Committee also commends the Federal Reserve's decision to join the Network for Greening the Financial System and to participate in efforts by international central banks to develop a supervisory approach for reducing climate risk. The Committee also supports recently announced decisions by the Federal Reserve Board of Governors to form a Supervision Climate Committee and Financial Stability Climate Committee. The Committee recognizes, however, that climate change poses risks not only to the financial system, but also to the economy, and therefore supports steps by the Securities and Exchange Commission to better inform investors through disclosure of climate risk by publicly traded companies. The Committee also expects further action by the Treasury Department to coordinate efforts to address climate change across the federal government, including through the establishment of a "climate hub" within Treasury, and by requesting sufficient resources at OFR and the Federal Insurance Office to evaluate climate risks faced by businesses and insurers. Finally, the Committee expects a strengthened focus on climate change by the FSOC.

Recognizing the growing burden that climate change is imposing on the National Flood Insurance Program (NFIP), the Committee also supports integrating climate risk into long-term reauthorization of NFIP, and shoring up NFIP through enhanced flood mitigation, more modern flood risk mapping, and stronger and more resilient floodplain management.

Internationally, the World Bank is the biggest provider of climate finance to the developing world. The Committee believes the Bank's Climate Change Action Plan for 2021-2025, which is expected to be published next month, should be ambitious. The Committee believes the World Bank should pursue a rapid and equitable shift toward a zero-carbon future by ending all coal- and oil-related investments, both direct and indirect, including through technical assistance and financial intermediaries, and by adopting a credible commitment to gradually phase out gas power generation, with investments in gas in exceptional cases only and under a very specific set of circumstances. The Committee expects the Bank to make its climate finance accounting and allocation more transparent within its policy lending and project investments and also to help countries manage the climate transition, including mitigating the negative impacts on workers and affected communities, retraining workers, investing in alternative green jobs, and helping to guarantee social protections.

FINANCIAL TECHNOLOGY, ARTIFICIAL INTELLIGENCE, AND RESPONSIBLE INNOVATION

The Committee supports the advancement of responsible innovation in financial services. Advancements in artificial intelligence, machine learning, cloud computing, faster payments, digital assets, distributed ledger technology, and digital identity are rapidly altering the financial marketplace. For example, consumers can send money instantaneously to friends and family and make purchases with their mobile devices, small businesses can efficiently apply online for short-term loans with terms favorable to their business needs, and financial institutions can streamline operations to provide better services to underbanked and unbanked consumers. However, as these changes occur, Congress must maintain a strong legal framework that equips regulators with the resources, training, and tools necessary to ensure that 'advancements' in technology do not harm consumers, threaten data privacy, undermine financial stability, weaken cybersecurity, allow for or encourage money laundering and terror finance, or promote discriminatory practices. Congress must ensure that consumer data and identity are protected from fraud and cyberattacks, and that sensitive financial information is shared only after affirmative, voluntary consumer consent. Further, as faster payments and virtual currencies emerge, it is important that the U.S. build a robust regulatory technology infrastructure, and continue as a global leader in the financial services industry with safe, responsible, and innovative products and services for consumers and investors.