Crapo Statement at Financial Regulator Oversight Hearing
May 12, 2020

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled, "Oversight of the Financial Regulators."

The text of Chairman Crapo's remarks, as prepared, is below.

"Today we welcome to this virtual hearing the federal prudential regulators: Federal Reserve Vice Chairman of Supervision, Randy Quarles; Comptroller of the Office of the Comptroller of the Currency, Joseph Otting; Chairman of the Federal Deposit Insurance Corporation, Jelena McWilliams; and Chairman of the National Credit Union Administration, Rodney Hood.

"We will receive testimony from each agency on efforts, activities, objectives, and plans with respect to regulatory and supervisory activities of banks, credit unions, and other regulated entities.

"In the time since each of your agencies last testified, the world has been racked by the physical and economic impact of the COVID-19 pandemic.

"Congress and the Administration have taken extraordinary actions to mitigate the impact and provide conditions that will lead to a forceful economic recovery.

"The Coronavirus Aid, Relief and Economic Security Act, or CARES Act, has been central to that effort, and includes measures to help families directly, provide aid to small businesses, assist those in the medical field and on the front lines of the response effort, and to stabilize our markets.

"Financial institutions are playing a central role in facilitating and delivering emergency relief authorized under the CARES Act, including Economic Impact Payments to individuals, lending under the Small Business Administration's Paycheck Protection Program (PPP) to businesses and providing credit and liquidity that qualify under certain Federal Reserve emergency lending facilities.

"The CARES Act also includes provisions authorizing financial regulators to take specific emergency actions to provide liquidity to the marketplace, and several other provisions to increase lending to households and businesses, including actions related to lending limits; the Community Bank Leverage Ratio; Troubled Debt Restructurings; Current Expected Credit Losses; debt guarantee programs and the NCUA's Central Liquidity Facility.

"According to the banking agencies, U.S. banking organizations built up significant levels of capital and liquidity in excess of regulatory minimums since 2008, including the largest banks holding $1.3 trillion of common equity and $2.9 trillion in high-quality liquid assets.

“I appreciate the significant steps that each of your agencies have taken to encourage financial institutions to use their resources to meet the needs of affected borrowers, and to give institutions room to more easily and efficiently lend to households and businesses, both in response to the coronavirus and as a matter of right-sizing regulation.

“On April 8, I asked your agencies what additional steps or statutory changes should be taken to promote lending and to mitigate the economic impact of COVID-19.

“I thank each of you for responding to that letter with valuable input.

“Vice Chairman Quarles and Chairman McWilliams both raised the Tier 1 leverage ratio in their responses.

“Vice Chairman Quarles noted that, ‘Congress should consider modifying section 171 of the Dodd-Frank Act (‘The Collins Amendment’) to allow regulators to provide flexibility under Tier 1 leverage requirements as banks respond to increased credit demand.’

“Consistent with the CARES Act, the NCUA has already implemented temporary changes to its Central Liquidity Facility which supports liquidity across the credit union system.

“In the NCUA’s response to my letter, Chairman Hood made several recommendations that would promote lending.

“I encourage each of your agencies to continue looking for opportunities to provide flexibility for financial institutions to lend to households and businesses in response to this pandemic.

“Title IV of the CARES Act provided a $500 billion infusion into the Exchange Stabilization Fund, the bulk of which will be used to support the Federal Reserve’s emergency lending facilities, which will help prop up eligible businesses, states, municipalities and Tribes.

“This unique lending authority, known as 13(3) authority, is authorized under section 13 of the Federal Reserve Act, and plays a critical role in stabilizing markets.

“On April 9, the Fed announced several 13(3) emergency lending facilities, including a Paycheck Protection Program Liquidity Facility (PPPLF) to support lending to small businesses through the PPP established by the CARES Act.

“Since then, the Fed has announced that the PPPLF is already fully operational, and has also taken action to neutralize the regulatory capital impact of activity through the PPPLF and to expand eligible lenders.

“The Fed also announced Main Street Lending Programs to support lending to smaller and mid-sized businesses, and a Municipal Liquidity Facility to help States and local governments manage cash flow pressures, both funded through the CARES Act.

“It is vital that the Fed get these and other facilities up and running quickly to provide a lifeline to struggling businesses, States and local governments.

“I sent a letter on April 16 urging changes to various 13(3) emergency lending facilities to achieve the broadest access possible, and I appreciate the positive step the Fed took by announcing updates to several facilities, including a number to the Main Street Lending Programs, such as: changes to certain loan terms, including minimum and maximum loan sizes; expanding eligibility to more mid-sized businesses, including those with up to 15,000 employees or up to $5 billion in annual revenue; and clarifying that underwriting and lending decisions ultimately lie with the lender.

“With respect to the Municipal Liquidity Facility, I remain concerned that the inclusion of population thresholds for cities and states that were not a part of the CARES Act will still impede access to smaller and rural communities.

“As it stands, there is currently no city or county in Idaho that qualifies. Although access at the State level would allow a State to work with local governments to access funding, I am concerned this would result in unnecessary friction.

“The federal financial regulators face a substantial challenge in crafting a regulatory response to support households and businesses in this time of need, while ensuring safety and soundness of the financial system.

“During this hearing, I look forward to hearing more about the current state of the financial system amid the ongoing pandemic; the actions your agencies have taken to support the economy; additional regulatory and legislative changes that can further support the economy; and how changes to the emergency lending facilities result in the broadest possible access, and what additional changes can be made to further that access.

“I appreciate each one of you joining us today to share your agency’s activities and plans, as well as the tireless work of you and your staff in response to COVID-19.”

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