

Crapo Statement at CARES Act Oversight Hearing
December 1, 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 remote hearing entitled “The Quarterly CARES Act Report to Congress.”

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

“Today, we welcome the witnesses to the Committee to provide testimony as required under Title IV of the CARES Act: 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.

“On November 19, Treasury Secretary Mnuchin requested for the Federal Reserve to return unused funds that had been appropriated under Title IV of the CARES Act for 13(3) facilities and direct loans.

“I agree with Secretary Mnuchin on the success of the 13(3) facilities and the termination language in the CARES Act.

“The 13(3) facilities funded under the CARES Act were effective, and fulfilled their purpose to stabilize markets, facilitate credit flow and provide liquidity.

“The Wall Street Journal editorial board summed it up well: ‘All of these programs were created in an emergency at the onset of the pandemic when the financial markets were in danger of melting down.’

“Adding that, ‘The programs worked. Even as the pandemic and government shutdowns have waxed and waned, financial markets have healed. Lending spreads have fallen, and liquidity is ample in nearly all markets.’

“The most recent Federal Reserve Financial Stability Report pointed to some of these successes.

“It said, ‘the announcements of the Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, and Municipal Liquidity Facility in late March and early April led to rapid improvements in corporate and municipal bond markets well ahead of the facilities’ actual opening.’

“The report also said, ‘...Since the announcement of the backstop facilities and funding market stabilization measures, more than \$1 trillion in new nonfinancial corporate bonds and more than \$250 billion in municipal debt have been issued, purchased almost entirely by the private sector.’

“With respect to asset-backed securities, the report noted that, ‘Similar to other backstop facilities, while outstanding balances in the Term Asset-Backed Securities Facility have remained modest, spreads in the asset-backed securities market have narrowed considerably, and private market issuance has resumed.’

“With just one month until the December 31 termination date, only \$195 billion of the \$454 billion needed to be allocated to the 13(3) facilities, and those facilities have not been extensively used to date.

“Returning the unused \$455 billion to Treasury now allows those funds to be made available for other important purposes, such as providing more targeted relief to sectors of the economy that need it most, or to reduce the national debt.

“The CARES Act funding supporting these facilities was always intended to be temporary.

“Additionally, as was mentioned in both Secretary Mnuchin and Chairman Powell’s letters, the Exchange Stabilization Fund still has non-CARES Act funds that are available, to the extent permitted by law, to capitalize any Federal Reserve lending facilities as needed.

“In fact, the Fed has four facilities that were set up with non-CARES Act funds, including the commercial paper facility and money market liquidity facility.

“Although COVID-19 continues to spread across the United States and world, there is hope in the economic recovery that we have seen so far, and in the reports of promising, highly effective vaccine trials.

“However, we continue to look to steps we can take to help Americans and businesses that need it most.

“Republicans have tried for months to get another targeted, bipartisan COVID relief package passed and signed into law to provide support for those in need, but Democrats have rejected those efforts.

“It is time to find agreement where we can on targeted, bipartisan relief.

“Turning for a moment to regulations, the CARES Act included other meaningful pandemic-related programs to provide relief to Americans.

“I have heard from banks and credit unions concerned about breaking through regulatory thresholds that stand to impose a much greater regulatory burden due to the temporary growth they have experienced from customer deposits and participation in pandemic-related programs, like the Paycheck Protection Program and Economic Impact Payments.

“On November 20, the Fed, FDIC and OCC took an important step to mitigating banks’ regulatory burden by giving community banks under \$10 billion more flexibility to use their asset size on December 31, 2019 for applying various regulations.

“I appreciate the banking agencies taking this action, which will foster a more certain regulatory environment for these banks and incentivize their participation in future pandemic-related programs, should they be needed.

“Secretary Mnuchin, as you know, housing finance reform remains a top priority of mine, and last year I released a housing reform outline which builds upon many of the same principles from previous efforts.

“While my preference was for Congress to pass a bipartisan deal, it is long past time to make the hard decisions and address this last unfinished business of the financial crisis.

“Because of that I would encourage you and the Director of the FHFA to continue to take important steps that move the system in the right direction. The status quo is not acceptable.

“I thank each of you for joining the Committee today to discuss the CARES Act and other critically important issues.

“Before I turn to Senator Brown for his opening, I want to take some time to thank both Senators McSally and Jones for their contribution and time to this committee.

“I have enjoyed working with them, spending time with them and getting to know them, and they will be missed. I wish them both the best.

“Finally, I want to thank Senator Brown and his staff for the time we have worked together on this committee.

“I have appreciated our time together on this Committee, and our friendship, even if we, at times, may not have seen eye to eye. Thank you.”

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