Crapo Statement at Federal Reserve Semiannual Monetary Policy Report
June 16, 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 virtual hearing on the Federal Reserve's semiannual monetary policy report to Congress.

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

"Today, Federal Reserve Chairman Jerome Powell will update the Committee on monetary policy developments and the state of the U.S. economy.

"It has only been four months since the last Humphrey-Hawkins hearing, but we are seeing a significantly different economy today; one that has been racked by the physical and economic impact of the Covid-19 pandemic and ensuing shutdowns.

"Chairman Powell, you have stated that the Federal Reserve is '…strongly committed to using our tools to do whatever we can and for as long as it takes to provide some relief and stability, to ensure the recovery is as strong as possible.'

"Additionally, the Fed has purchased more than $2 trillion in Treasury and mortgage securities since the pandemic sparked a massive flight for safe, cash-like assets in mid-March.

"Because of this, the Fed's balance sheet has expanded to more than 7 trillion dollars.

"Congress, the Administration and regulatory agencies have taken extreme actions to protect and stabilize the infrastructure of our economic system.

"The CARES Act has been central to that effort, and recent statistics indicate our efforts are working.

"In fact, the Bureau of Labor Statistics announced on June 5 encouraging signs for jobs and the economy, that nonfarm payroll employment rose by 2.5 million in May, and the unemployment rate declined to 13.3 percent.

"According to the report, these 'improvements in the labor market reflected a limited resumption of economic activity that had been curtailed in March and April due to the coronavirus (Covid-19) pandemic and efforts to contain it.'

"Title IV of the Act provided a $500 billion infusion in the Exchange Stabilization Fund, up to $454 billion of which can be used to support the Federal Reserve's emergency lending facilities, such as the Main Street Lending facilities and the Municipal Lending Facility.

“The Fed has set up facilities funded both under and outside of the CARES Act, and there is evidence that the mere announcement of some of those facilities have had a positive and stabilizing effect on markets, even before becoming operational.

“Although any positive effect of these facilities is welcome, getting them fully operational ensures that they achieve their full effect.

“On June 8, 2020, the Federal Reserve announced positive changes to the term sheet to the Main Street Facilities that will allow additional smaller and medium-sized businesses to access the facilities.

“As I have urged in previous hearings, it is now time to get the Main Street and other outstanding facilities up and running.

“In addition to emergency lending facilities, the Fed can continue to right-size regulations to increase lending and access to credit in the economy.

“In response to a letter that I sent to the federal banking regulators on April 8, 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.’

“There are also several proposed rules that the agencies were working on before COVID-19, and I encourage the agencies to finalize these rules as soon as possible, such as the Volcker covered funds rule and the inter-affiliate margin rule.

“During this hearing, I look forward to hearing more on the state of the economy, including its response to the CARES Act; an update on the status of the 13(3) emergency lending facilities; how the facilities have provided or stand to provide necessary credit to households, businesses, States and local governments; and additional regulatory and legislative changes that can increase credit and liquidity in the marketplace and further support the economy.

“Chairman Powell, thank you for joining us today.”

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