April 14, 2017

**By Email and Post**

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| The Honorable Michael D. Crapo, Chairman  The Honorable Sherrod Brown, Ranking Member Senate Banking Committee 534 Dirksen Senate Office Building  Washington, D.C. 20510 |

Dear Chairman Crapo and Ranking Member Brown:

We are public finance advisors who collectively have more than 50 years of experience serving as fiduciaries to governmental entities of virtually every type and size. We greatly appreciate the chance to submit this proposal that will help foster economic growth, create jobs, and perhaps assist in the transition of certain government programs to the private sector.

Our proposal requires all federal government agencies to sell their debt and lease assets (“agency assets”). Federal agencies currently have more than $2 trillion in direct loans on their books, and the U.S. government is nearly $20 trillion in debt. At the same time, policymakers currently seek funds for infrastructure projects, tax reform, and other important priorities. The proposal to sell the agency assets, if enacted on an expedited basis, would produce cash receipts for the government in excess of $1 trillion – without increasing taxes or adding a single dollar to the federal debt.

The proceeds from the sale of the agency assets can be used to pay down the national debt or to jump start new programs that would stimulate economic growth and create jobs. For example, we anticipate that this proposal might be one component of an “all of the above” approach to financing infrastructure investments (i.e., use of federal tax credits, repatriation of off-shore funds, etc.). Moreover, the value of these fixed rate assets will decline in a rising interest rate environment. Redeploying these funds now could generate higher rates of return from compounding by direct, indirect, and induced economic multipliers, state and local government matching funds initiatives, and other such programs.

The benefits of the sale of agency assets go beyond helping the U.S. Government raise funds for policy priorities. This plan gives borrowers of all types (e.g., farmers, small business owners, students, veterans, etc.) the ability to payoff or refinance their loans from private sector sources at a discount prior to sale on the open market. For example, the sale of student loans will provide an immediate benefit to indebted graduates, who may be able to payoff or refinance their student loans at a lower principal amount. Should the borrower fail to refinance a loan, it will be sold to investors, but the terms will not change. Importantly, the loans will be sold without recourse to the government. The proposal will generate present value returns to the government in excess of the discounted value of the cash flows from the outstanding loans.

As significant as this proposal may be, it is not a new idea. Indeed, the Omnibus Budget Reconciliation Act of 1986 required federal agencies to sell agency debt assets. That program raised billions for the U.S. government to help fill a budget gap in connection with the Tax Reform Act of 1986. As public finance advisors, we recommend that this program be pursued now for the reasons detailed in the Appendix below. We further recommend that the Federal Credit Reform Act, which has systemically underpriced the risk of government loan programs since 1990, be revisited to more accurately reflect the cost of such programs to taxpayers. However, our proposal to sell agency assets now has merit on a stand alone basis as a way to raise cash, reduce risk to the government, provide a substantial benefit to borrowers, stimulate economic growth and create jobs regardless of whether the federal budget process is reformed or whether any of these programs continue in the future.

We look forward to discussing this proposal with you and we would be happy to respond to any questions.

Sincerely,

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Larry Kidwell Robbi Jones

President, Kidwell & Company President, Kipling Jones & Co.

**APPENDIX**

1. **Brief description of proposal**

Congress should require all federal agencies to their sell debt assets. Currently, federal agencies hold more than $2 trillion in debt and lease assets. The sale of all these assets, if expedited, will raise more than $1 trillion in cash in FY2017.

The sale of these fixed-rated debt assets at this time will maximize asset value. Interest rates are on the rise, and the Federal Reserve’s quantitative tightening program is on the horizon. As interest rates rise, the value of the agency assets will decline -- perhaps substantially.

Importantly, the sales will not alter the terms of the loans. Borrowers will be given 30‐days or more to pay off their loan at a significant discount to par value. Following meetings with several banking entities, it is our understanding that private sector programs will be available for borrowers to refinance their loans at the discounted value. Any loans that remain outstanding will be sold to investors. Sales under the program will be sold without recourse and will create no liability for the U.S. government. Servicing will be provided by private entities with the demonstrated capacity to effectively service such loans.

Requiring government to sell their agency assets borrowers and investors could:

* Provide means to fully fund $1 trillion in infrastructure spending in FY2017;
* Provide an immediate benefit to original borrowers that purchase loans at a discount;
* Return lending and servicing programs to the more efficient private sector;
* Increase labor force participation rate;
* Eliminate credit risk for the government;
* Reduce the amount of federal debt;
* Increase flexibility to implement comprehensive tax reform;
* Generate present value returns in excess of the discounted value of the cash flows of the existing debt assets, in many cases by significant percentages; and
* Favorably influence the U.S. credit rating;

In addition, the proposal will provide the Administration with opportunities to achieve the following policy objectives:

* Reduce the size and scope of the federal government;
* Reduce the cost of carry and number of federal government employees required to maintain the programs and service the debt;
* Transfer inefficient government programs to the private sector thereby reducing the cost to borrowers and taxpayers;
* Jump start private sector lending in markets currently dominated by the federal government;
* Slow the rate of tuition increases for students and families; and
* Amend the Federal Credit Reform Act and implement fair value program and asset valuation standards to better reflect the true cost of government loan programs.

There is precedent for such a program. During the Reagan Administration, the Omnibus Budget Reconciliation Act of 1986 (P.L. 99‐509) required specified federal agencies to sell certain outstanding loans. For example, the program required the Secretary of Agriculture to sell debt assets held in the Farmers Home Administration Rural Development Insurance Fund over a three‐year period. The proposal outlined herein is modeled on the earlier program and incorporates its various provisions.

1. **Impact on economic growth**

The redeployment of capital raised in the proposed transaction would allow the federal government to achieve significantly higher rates of returns through infrastructure spending or tax reform. In addition to any direct return, the proposal will have indirect and induced economic multipliers, to include the following: output, value‐added, income, price, employment, and consumption.

Borrowers that choose to pay off their debts at a discounted rate will then be in a better financial position. Their disposable income will rise, thereby increasing spending on homes, cars, and other consumer goods. This will increase economic activity for the entire economy.

1. **Impact on the ability of consumers, market participants and financial companies to participate in the economy**

Consumers, businesses small and large, and financial companies stand to benefit from the proposal. As described above, many indebted consumers will have the opportunity to reduce their debts thereby increasing their ability to participate in the economy. Individuals and businesses of all sizes will benefit from investment in infrastructure, lower tax rates, or other means of redeployment of funds raised from the proposal. Further, financial companies will benefit from offering loans to borrowers that wish to purchase their loans at a discount, or sale of any residual Agency Assets to investors (i.e. asset managers, insurance companies, pension funds, corporations, community banks, national banks, , or personal investors).

1. **Draft Legislative language**

*To require the immediate sale of outstanding U.S. Government loans to private parties in order to (1) immediately raise significant revenue to offset tax reform, infrastructure spending, or other policy priorities; (2) generate present value returns in excess of the discounted value of the cash flows of the existing debt assets by significant percentages; (3) eliminate credit risk for the government; (4) result in more efficient loan servicing and; (5) enable the government to reinvest the funds to achieve significantly higher rates of returns.*

*Section 1. SHORT TITLE*

*This Act may be cited as the “GREAT AGAIN Act” (Government Refinancing Enabling Alternative Transactions And Generating American Income Now Act).*

*Section 2. REQUIRED SALE OF NOTES AND OTHER OBLIGATIONS*

*(a) DEPARTMENT OF AGRICULTURE. The Secretary of Agriculture, under such terms as described in this Act, shall sell all notes and other obligations held by the Department of Agriculture.*

*(b)**DEPARTMENT OF EDUCATION. The Secretary of Education, under such terms as described in this Act, shall sell all notes and other obligations held by the Department of Education.*

*(c) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT****.*** *The Secretary of Housing and Urban Development, under such terms as described in this Act, shall sell all notes and other obligations held by the Department of Housing and Urban Development.*

*(d) EXPORT-IMPORT BANK. The Board of Directors of the Export-Import Bank, under such terms as described in this Act, shall sell all loans made by the Bank under the Export-Import Bank Act of 1945.*

*(e) ALL OTHERS. Any executive agency not listed specifically above shall all sell all notes and other obligations.*

*Section 3. TERMS AND PROCEDURES OF SALES.*

1. *GENERAL. The heads of the departments and agencies listed in Section 2 shall arrange for the sale of their notes or other obligations according to this section.*
2. *NO RECOURSE. Sales shall be without recourse and create no liability for the U.S. Government.*
3. *CONTRACT PROVISIONS. The sale of notes or other obligations shall not alter the terms specified in the note or other obligation.*
4. *BORROWER OPPORTUNITY TO REFINANCE. Existing borrowers shall be given, 30 days following notification of the intent to sell a loan, the opportunity to pay off their loan at a discount to par value enabling them to refinance their debt through a private market loan; however, borrowers shall not be compelled to do so.*
5. *BEST PRICE. The U.S. Government shall pursue the highest possible return from the sales of debt and may conduct sales on a competitive bidding or negotiated process, in amounts sufficiently large to assure market interest.*
6. *FINANCIAL ADVISOR. In order to assure the highest possible return the departments and agencies in Section 2 shall employ public finance advisors from micro, woman and minority-owned businesses as defined by the Small Business Administration.*
7. *LOAN SERVICING. - Prior to selling any note or other obligation, as described in this Act, the departments and agencies shall require persons offering to purchase the note or other obligation to demonstrate -*

*(1) an ability or resources to provide such servicing, with respect to the loans represented by the note or other obligation, that the Secretary deems necessary to ensure the continued performance on the loan; and*

*(2) the ability to generate capital to provide the borrowers of the loans such additional credit as may be necessary in proper servicing of the loans.*