

Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
December 6, 2023 at 9:30 AM

Thank you, Chairman, and thank you to a very long list of CEOs who have come to talk with us about how the impacts of our regulatory environment will impact everyday consumers.

And I hope that you all, some of the things I will say will be redundant because some of it's unprepared based on what the Chairman just said, but I hope you all will really answer the question [of whether] nothing in these proposals will stop your banks from lending to small businesses or first-time homebuyers. Because if the proposals, Basel III Endgame – who in America knows of Basel III Endgame really is – let's translate that for the average American sitting at home watching this because they have nothing else on TV to watch.

It is simply requiring more capital on the sidelines, which then means fewer dollars to lend to small businesses, first-time homebuyers, car loans. So the actual impact of a higher regulatory standard is fewer dollars to lend to Americans who need desperately to be engaged in the process of achieving the American Dream that is typically defined by having access to capital.

If you work really hard and keep your life in order, you can have a good quality middle-class life. But if you want to actually experience wealth in America, you have to experience the benefits of profit or equity. Equity comes from having capital – having capital typically means you either have it because you are born with it or you have access to it because you have an idea or a vision that will make your community or this nation better.

When that happens, you go to a lending facility called a bank or outside of the market and you find that capital that allows you to start your business. And as you start your business and it appreciates it, it creates a profit, and that profit allows you to experience the upper echelon of the American Dream. If you have a home, look at the differences between African Americans and majority population and net worth – tenfold difference. Much of that difference is found in the profit or the equity in a home.

So, when we think about the proposals, not of good regulation, but of a nightmare proposal called Basel III Endgame that will put so much more capital on the sidelines, we should ask ourselves, how does that translate for the average American living and working paycheck to paycheck? My thought is that it has a devastating impact on access to capital that makes the American Dream harder to achieve and [makes] access to capital, for some folks who started where I started, virtually impossible.

I think if you if you think about today's hearing from my perspective, I want to talk about three things. Number one is certainly Basel III Endgame, number two is the burdensome regulations and guidance that will ultimately hamper consumer choice, and number three, the job our regulators are doing, or frankly should be doing, and the work and the workplaces our regulators cultivate.

I'll start as I just did with Basel III Endgame. The fact of the matter is that this one proposal could have a devastating impact on small businesses and I would like for you all to address that either now or during the questions.

Last month, I led a letter to the FDIC, Fed, and OCC calling on them to withdraw this misguided proposal because American families, the folks who will bear the burden of [these] burdensome regulations, simply can't afford it. The letter was signed by nearly 80% of my Republican colleagues that really span the entire ideological spectrum and the country. Nearly every single person who has signed the letter did so because they all agreed that costly, harmful impacts on our constituents, our businesses, and their families is something that could be avoided if, simply, the banking regulators would listen to common sense and withdraw the proposal.

And frankly, last month when the regulators spoke, even some of my Democrat colleagues agreed with our concerns on the negative impacts brought to us by a burdensome regulatory environment.

Let me be clear, this proposal could limit, and frankly I think will limit, the following: availability of credit for housing for those who need it most, severely restrict lending for small businesses that are still rebounding from the pandemic, and cut into the retirement savings for hardworking Americans, like teachers, police officers, firefighters, when they're dealing with higher prices and runaway inflation and brought by the radical Left. These are very, very serious and real concerns.

But Americans shouldn't just hear about the concerns from those of us who are senators, we should hear from those who actually run the institutions that they have and trust in and have confidence in. As a former business owner myself, I believe that you all, as the day-to-day operators of these businesses, not elected officials, have a better sense of what the communities are facing, the challenges brought upon the communities by these higher standards.

Vice Chair Barr last month said that the new Basel Endgame will only impact about 40 of the banks in our country.

Said differently: two-thirds of all the loans processed will be negatively impacted by the Endgame proposal. That's \$60 billion in small business loans in 2021...

If regulations continue to increase the costs of providing a loan, I fear that banks will decrease lending, not only in my home state, but across the country. The increased lending means increased financial hardship, and increased financial hardship means a reduction in opportunity.

That's my ultimate concern, reducing opportunity for everyday Americans. At the end of the day, these consequences will create a ceiling for low-income Americans, and it won't be a ceiling made of glass, instead it will be made of concrete.

We simply can't let that happen.

The second item I want to discuss with you all today concerns the onslaught of rules and proposals targeting your institutions and the banking system writ large. For instance, in recent months, we have seen proposals or final rules all the way from climate risk management to the Community Reinvestment Act.

None of these proposals exist in a vacuum, and it is vital that this committee hear from each of you about the overall impact on the health of our economy. In particular, I'm deeply concerned by the continued partisan attempts of this administration to advance their climate goals by any means possible, including through our banking system, with the recent climate risk management guidance.

Banks have been considering weather risks for decades – and you should – it's called common sense. And it remains incumbent upon each of you to base your lending decisions on risks you can reasonably assess, like weather or credit risk, not however, perceived political, rhetorical, or reputational risk.

Beyond the explicit cost of these proposals, which ultimately are passed on to consumers, I fear that the only real accomplishments of the regulators will be to push more activity outside of the regulated financial system where we have less insight into the impacts on consumers.

And finally, number three, we must emphasize and turn our attention to the performance of our regulators and their core mission – the supervision of your banks and the stability of our financial economy.

This past spring, we saw the failures of several banks, which shook consumer confidence. Since then, there has been nonstop fingerpointing by our regulators. In the aftermath of the failures, I was critical of the failed bank executives because that's where the dollar should stop. The buck stops with the executives.

But you can't see that in a vacuum – you have to ask yourself the question – what was the role of the regulators? What did they do? What did they see? How do they respond to that?

Your institutions have teams of examiners from the regulatory agencies in your offices every day – and I can tell by your faces – you're really excited to see them when they show up.

But the truth is that we, the American people, deserve to understand the complexity of the web that exists that makes the headwinds real for lending money to would be entrepreneurs, or first-time homebuyers.

Let me close with this: we're not on the same page on a lot of issues. I think there are times when banks go too far in getting involved in politics. But when it comes to your objective of creating access to credit, to resources, for the American people and the American Dream – that's where I hope we find our attention today – focused on an environment that is easier for the average American to experience the American Dream, or it's made harder because of the challenges brought to them by this government.

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