Good afternoon. I'm pleased to be chairing today's Economic Policy Subcommittee hearing on the economic impacts of bank consolidation. I appreciate our witnesses joining us, and Senator Kennedy's partnership in putting this hearing together.

After the 2008 financial crisis and the subsequent bank bailout, Congress passed the Dodd-Frank Act. The law was designed to ensure that giant banks could never again threaten our economy. But with the collapse of Silicon Valley Bank, Signature Bank, and First Republic Bank – three of the largest bank failures in our nation's history – two things have become obvious.

First, bank failures remain a serious threat to our economy, putting taxpayers at risk of footing multi-billion-dollar bailouts if they go under. And second: regulators are courting disaster by continuing to encourage giant banks to grow even bigger. Treating mergers as a solution to financial instability increases that instability.

The problem with megabanks goes well beyond the increased risk of blowing up the financial system. As big banks get even bigger, branch closures increase. This reduces the availability of bank services, and increases the cost of credit for small businesses and families.

This problem can be life or death for small businesses that can't find anyone at a big bank who understands the local economy or the actual business that needs credit. The problem is also worse in lower-income neighborhoods, where research shows predatory lenders and check-cashers proliferate as bank consolidation rises.

When banks merge, consolidation has ripple effects that cost jobs, lower household incomes, and slow economic growth in local economies. Bank consolidation may boost CEO pay and investor profits, but it hurts everybody else's quality of life.

This problem seems obvious – and should be easy to fix. Congress spotted the problem long ago, and in 1960 passed the *Bank Merger Act* to give bank regulators, in consultation with the Department of Justice, the authority to block mergers that reduce competition, harm communities, or are not in the public interest.

Yet somehow, astonishingly, between 2006 and 2021, the Federal Reserve approved more than 3,500 consecutive mergers without denying a single one – a streak that would make Cal Ripken and Lou Gehrig green with envy.

The net result of regulators falling asleep at the switch is that since 1990, the number of banks in the U.S. has declined from over 18,000 to less than 5,000.

Meanwhile, the biggest banks have gotten bigger. In the mid-1990s, the 20 biggest banks in the country held 15% of all bank assets. Today, the top 20 hold more than 65% of all bank assets. And the concentration at the very top is even more extreme. The biggest four banks alone hold more assets than the next 75 banks combined.

President Biden, to his credit, recognized this problem and is working to try to fix it. In his July 2021 executive order on competition, he concluded that bank consolidation [quote] "raises costs for consumers, restricts credit for small businesses, and harms low-income

communities," [end quote] and ordered banking regulators to update outdated and failed bank merger review policies.

Two years later, we are finally on the cusp of seeing what those new merger guidelines are going to look like. Last month, Jonathan Kanter, the Justice Department's top antitrust enforcer, indicated that new guidelines would be coming soon – and that the Department would be giving much tougher scrutiny to mergers.

That's good news. I hope these guidelines are out soon, and you better believe I want them to be tougher than the current rules.

But I'm extraordinarily concerned about what we've seen in recent months from banking regulators. When First Republic Bank collapsed in April, the bank was ultimately sold to the biggest bank in America, JP Morgan Chase. That sweetheart deal cost the Federal Deposit Insurance Fund $13 billion.

Meanwhile, overnight, the country's biggest bank got $200 billion bigger. And what happened to the regulators? The Acting Comptroller of the Currency, Michael Hsu, rubber stamped the deal in record time. When I asked Mr. Hsu at a hearing in May to explain how this merger was approved, he was unable to provide a clear answer.

But the overall picture gets worse. Instead of inattentive regulators who don't use their tools to block increasing consolidation, leaders within the Biden Administration seem to be inviting more mergers.

- In a May 2023 statement before the House Financial Services Committee, Acting Comptroller Hsu reassured banks that the agency would be [quote] "open-minded" while considering merger

proposals. And then earlier this week, he said, quote, "simply prohibiting all mergers of large banks really locks in the concentration amongst the existing megabanks, and I don't think that's the right answer," end quote.

- Treasury Secretary Yellen recently warned that the banking "turmoil" from the collapse of Silicon Valley Bank, Signature Bank, and First Republic might lead to more mergers and that regulators would be – quote – "open to" them. Then the *New York* Times also reported that Secretary Yellen privately told big banks that she would, and I quote, "welcome more mergers."

These comments are stunningly wrongheaded. They indicate that key banking regulators have learned exactly the wrong lessons from the bank failures earlier this year and the 2008 financial crash before it. Too Big to Fail banks pose risks to stability of the financial system and increasing banking concentration puts a damper on small business growth across the country.

We need effective regulation and bank supervision that prevent big banks from failing in the first place. We also need to police bank mergers to ensure that big banks have robust competition to ensure they are serving consumers and small businesses.

I appreciate our witnesses being here to discuss how we can do that.