Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2015

Pursuant to clause 4(f) of the Rules of the House of Representatives, section 301 (d) of the Congressional Budget Act of 1974, and section 708(b) of the concurrent resolution on the budget for fiscal year 2014 (H. Con. Res. 25, 113th Cong.), as deemed in effect by section 113 of the Bipartisan Budget Act of 2013 (Pub. L. No. 113-67), the Committee on Financial Services transmits the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2015.

OUR NATION'S FISCAL CHALLENGE

Forty-seven million Americans today live in poverty. That is one in six Americans and one in four children. In fact, our nation's poverty rate is the highest in a generation, and under President Obama nearly 7 million more Americans have fallen into poverty. Since President Obama took office, median household income has declined by nearly $4,000, the percentage of Americans working has dropped to a 36-year low, average family health care premiums have increased by more than $3,600, and $6.6 trillion has been added to our national debt – more debt than was created in America's first 200 years.

Clearly, President Obama's policies have failed to produce the economy he promised. In fact, the Congressional Budget Office (CBO) sees the economy slowing down over the next 10 years, despite enactment of the President's $1 trillion "stimulus," four successive years of trillion dollar deficits, and nearly $7 trillion in new debt. Americans deserve better. They deserve a healthy economy, but we cannot have a truly healthy economy until Washington passes a budget that puts America on a sustainable fiscal path.

However, as the CBO has warned Congress and the President in report after report, America is not on a sustainable fiscal path but rather on the road to national bankruptcy. At $17.3 trillion, America's national debt equals 74 percent of Gross Domestic Product – the highest level since the end of World War II. Without changes to existing laws, CBO projects our national debt will grow larger every year and within just 10 years rise to 79 percent of GDP. The inevitable consequences of "[s]uch large and growing federal debt," the CBO warns in its latest budget outlook, include restrained economic growth, lower wages for working Americans and the risk of a grave fiscal crisis.

The results of such a crisis would be catastrophic. Investors would lose confidence in the United States. Government would be unable to borrow money or only at astronomical interest rates. The only way out would be untenable tax hikes that cripple our economy and harsh spending cuts that inflict unyielding pain on all Americans, but most especially on those with low and moderate incomes. Taking action today to reduce our deficit and

debt will strengthen our economy and protect the long-term viability of government programs for those who need them most.

Failure to address our spending-driven debt crisis will result in a profound decline in Americans' standard of living. One need look no further than the bankrupt nation of Greece to see what the future might hold for America: massive unemployment, particularly among the young; a fraying social safety net; and prolonged period of negative economic growth.

Yet, President Obama has failed to heed these repeated warnings. His Fiscal Year 2015 budget never balances. It lays waste to the spending caps that Congress and the President agreed to just a few months ago. It imposes $1.8 trillion in tax increases and leaves Americans $8.3 trillion deeper in debt by the end of its budget window.

America needs a different direction – one that takes us off the road toward a debt crisis and instead puts our nation on the road toward fiscal sanity. A budget that increases taxes, spending and debt will only make life harder for Americans who are already struggling in this weak economy.

Instead, we must act wisely – and urgently – to get Washington spending under control. Partisans in Washington can argue over policies and the merits of specific federal programs, but arithmetic cannot be ignored: over the next 10 years revenues are expected to grow at roughly the same pace as the economy, but "spending is expected to grow more rapidly," reports the CBO. In short, government must stop spending money it doesn't have.

Not long before he began his run for the White House, then-Senator Barack Obama said: "Leadership means that 'the buck stops here.' Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt and a failure of leadership. Americans deserve better." Indeed they do. But by his actions and, in the case of his Fiscal Year 2015 budget, inaction, President Obama has demonstrated yet again either an inability or an unwillingness to offer responsible leadership. He has failed yet again to grasp the seriousness of our debt and make government live within its means, just as the American people must do.

The President's FY 2015 budget is a clear sign he has given up on seriously addressing the fiscal challenges that threaten our economy, our national security and our children's future. Spending discipline in Washington is essential if we are to put this nation's finances in order, grow our economy today and leave a stronger, more prosperous America for future generations.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission's (SEC) three-part mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. In its budget for FY 2015, the Administration has requested $1.7 billion for the SEC, which would be a 26 percent increase or $350 million over the SEC's FY 2014 spending authority. The $1.7 billion budget request would support 5,183 positions and 4,688 full-time employees and would permit the SEC to fill an additional 639 positions. The FY 2015 budget also seeks more than $9.2 million for the SEC's Office of Inspector General (OIG).

Section 991 of the Dodd-Frank Act authorizes the SEC to receive $2.25 billion for FY 2015 and on October 18, 2013, SEC Chair White in a letter to the Office of Management and Budget requested $1.950 billion for FY 2015, to support 5,560 positions and 5,320 full-time employees.

Since 2004, the SEC's budget has increased by more than $539 million; however, the increased budget has not necessarily been reflected in an increase in the level of the SEC's performance. While the Administration claims that the SEC's funding is deficit-neutral, the SEC's funding ultimately is borne by investors and for every dollar spent to fund the SEC one less dollar is spent on capital formation.

In the run-up to the financial crisis and its aftermath, the SEC repeatedly failed to fulfill any part of its mission: the SEC failed to adequately supervise the nation's largest investment banks, which resulted in the bail-out of Bear Stearns and the collapse of Lehman Brothers and fed the ensuing financial panic; the SEC failed to supervise the credit rating agencies that bestowed AAA ratings on securities that later proved to be no better than junk; the SEC failed to examine the Reserve Primary Fund, a large money market fund that broke-the-buck in September 2008; the SEC failed to ensure that issuers made adequate disclosures to investors about securities cobbled together from poorly underwritten mortgages that were bound to fail; and the SEC was missing in action as Bernard Madoff and Allen Stanford perpetrated the two largest Ponzi schemes in U.S. history. These failures have taken place despite significant increases in funding at the SEC, which has seen its budget increase almost 66 percent since 2004.

In an attempt to address management dysfunction at the SEC, Section 967 of the Dodd-Frank Act mandated that the SEC hire "an independent consultant ... to examine the internal operations, structure, funding, and the need for comprehensive reform of the SEC." The SEC retained the Boston Consulting Group (BCG), which recommended that the SEC immediately overhaul its structure and management to optimize the use of its resources in light of the mandates placed upon it by the Dodd-Frank Act. The BCG found that the SEC had a needlessly complex organizational structure, characterized by multiple reporting lines, fragmented authority, and duplicative and overlapping responsibilities. While some

reforms have been made, there remain 22 division and office heads reporting directly to the SEC Chairman.

Additionally, the SEC has failed to adopt several key reforms proposed by BCG, including combining the Office of Compliance, Inspections, and Examinations into the Division of Trading and Markets and the Division of Investment Management, and combining the Office of Public Affairs, Office of Investor Education and Advocacy, and Office of Legislative and Intergovernmental Affairs into a new Office of External Relations.

The Committee supports the SEC's effort to expand the agency's information technology (IT) systems to better fulfill its mission, particularly the Market Information Data Analytics System or MIDAS, which allows Commission staff to better understand and analyze equity market events and individual order books for a particular security.

While the SEC is making full use of the Reserve Fund created by Section 991 of the Dodd-Frank Act to enhance its IT systems, the Committee remains troubled that more than five years after the Madoff Ponzi Scheme, the SEC has still not integrated the systems that would allow SEC staff to see all broker-dealer FOCUS reports and investment adviser FORM ADV in one consolidated system.

The SEC must also establish stronger controls to prevent waste, fraud and abuse. For example, in November 2012, the SEC's Office of Inspector General (OIG) reported that at the Division on Trading and Markets' automation review policy program (ARP) lab, "staff spent over $1 million on computer equipment and software with little oversight or planning and that a significant portion of the equipment and software purchased was unneeded or never used in the program." The SEC cannot claim that previous funding levels “fall short of what we need to fulfill our responsibilities to investors and our markets” and simultaneously waste these valuable resources because of poor internal controls to track the purchase of IT products.

The Committee also supports the SEC's previous pledge to "devote significant attention to development and consideration of possible rule changes designed to facilitate access to capital for smaller companies while at the same time protecting investors." While the SEC must expeditiously complete the rules to implement Titles III and IV of the "Jumpstart Our Business Startups" or "JOBS" Act (P.L. 112-106), the Committee believes the SEC could be doing more to support capital formation apart from the JOBS Act by implementing a majority of the recommendations made by the SEC’s Government-Business Forum on Small Business and its Advisory Committee on Small and Emerging Companies.

The Committee supports the SEC's consideration of the recommendations put forward by both the Government Accountability Office (GAO) and the SEC's OIG to improve economic analysis in SEC rulemakings. The Committee supports the SEC's goal to

hire more economists, trading specialists, and other experts with knowledge of the marketplace and both investment and trading practices, which would better equip the agency to fulfill its statutory mission and become a more effective regulator.

GOVERNMENT SPONSORED ENTERPRISES

The Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac were placed into the conservatorship of the Federal Housing Finance Agency (FHFA) in September 2008. To date, Fannie Mae has drawn more than $116 billion and Freddie Mac has drawn $71 billion in taxpayer funds, for a total of $187.485 billion as of year-end 2013, making the conservatorship of the GSEs the costliest of all the taxpayer bail-outs carried out since the financial crisis. Unlike a loan to be repaid, Fannie and Freddie's bailout came in the form of each GSE selling one million shares of Senior Preferred Stock to the Department of Treasury with an initial value of $1 billion, shares which Treasury still owns. Under the terms of the bailout, the value of those shares automatically increased by an amount equal to the bailout. Thus, Treasury – and, therefore, taxpayers – currently own $189.485 billion worth of shares of GSE Senior Preferred Stock. Although the GSEs are required to pay dividends on those shares to Treasury when they show quarterly profits, those dividend payments cannot be used to reduce or redeem the one million shares of Senior Preferred Stock still owned by taxpayers.

After Fannie Mae and Freddie Mac were placed in conservatorship, CBO concluded that they should be included in the federal budget to reflect their cost to the taxpayer. But the President's FY 2015 budget continues to treat Fannie Mae and Freddie Mac as off-budget private entities rather than government agencies whose activities are backed and paid for by taxpayers. As a result, the sizeable losses experienced by the GSEs and the GSEs' ongoing risk to taxpayers, are not properly accounted for on the government's financial statements. The Committee strongly recommends that the Office of Management and Budget be directed by statute to move Fannie Mae and Freddie Mac "on budget," and to account for losses sustained since they were placed in conservatorship in the same way that the CBO calculates their losses. The Committee also recommends subjecting the GSEs to the statutory debt limit. To allow time to implement these changes, the Committee recommends an effective date of 90 days after the enactment of any such changes.

After five years without the Administration demonstrating any leadership in proffering a reform plan, the Committee is gravely concerned with the lack of progress in resolving the GSEs' conservatorship, addressing their unworkable hybrid status, and eliminating their government charters. Thus, the Committee recommends in the strongest manner enactment of H.R. 2767, the Protecting American Taxpayers and Homeowners Act of 2013 (PATH), to resolve these lingering questions, protect taxpayers from future bailouts, and achieve long-term budget savings. PATH would require the FHFA to repeal the charters of Fannie Mae and Freddie Mac and end the operations of those firms five to seven

years after enactment and cease their ability to guarantee new mortgages. PATH would also place certain restrictions on the operations of the GSEs, as well as those of the Federal Housing Administration (FHA), and enact other changes to the existing statutory framework for regulating mortgage lending and securitization. CBO has estimated that by winding down Fannie Mae and Freddie Mac, and thereby reducing federal subsidies for mortgages guaranteed by the GSEs under current law, PATH would decrease direct spending by $6.6 billion over the 2014-2023 period. CBO has further estimated that those changes, coupled with the other provisions of PATH, would reduce federal deficits by $5.7 billion over the next decade.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

Two years ago, GAO reported to Congress that 20 different federal government entities administer 160 programs, tax expenditures, and other tools that support homeownership and rental housing.[1] The President's FY 2015 budget proposes to fund HUD at $46.664 billion, representing a 2.7 percent increase over 2014 enacted levels. Unfortunately, the President's budget does nothing to address the proliferation of federal housing programs and initiatives that, over time, have failed to achieve meaningful results in changing lives or transforming troubled communities. The sheer number of programs or the amount of taxpayer money expended on housing is no substitute for a coherent and holistic strategy to address long-term systemic poverty, promote self-sufficiency, or encourage economic growth and opportunity.

The Committee is concerned that despite tens of billions of dollars in annual appropriations, HUD remains overly bureaucratic, lacks prioritization to define the agency's mission, and fails to deliver measurable results. The sprawling agency retains 8,073 full-time employees across several departments. Yet nearly 80 percent of HUD's budget remains dedicated to administering its three core rental assistance programs—Tenant-Based Section 8, Project-Based Section 8 and Public Housing—the funding of which is distributed according to pre-determined formulae. The remaining 20 percent of its budget is dedicated to every other HUD-administered program – the bulk of which is consumed by the Community Development Block Grant (CDBG), HOME Investment Partnership Program, and the McKinney-Vento Homeless Assistance Act, all of which are also largely administered by formulae. The Committee questions whether HUD's massive workforce is properly scaled to the types of programs it is charged with administering.

HUD's lack of prioritization also remains a concern for the Committee. Missing from the Administration's FY 2015 budget proposal is a clearly articulated vision of how to transform HUD from its bureaucratic morass into a modern agency, such as by reforming the existing 160 housing programs identified by GAO to consolidate resources and

[1] U.S. Government Accountability Office, GAO-12-342SP, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and enhance Revenue* pp. 186-194 (February 2012).

maximize results. The Committee sees a clear link between this lack of prioritization and HUD's failure to deliver measurable results. For example, instead of consolidating programs and efforts to address root housing and poverty issues, the Administration has devoted time and scare resources to a seemingly endless string of new and untested proposals. For example, since 2009, some of the initiatives HUD has proposed include: Making Home Affordable, Home Affordable Modification Program, Federal Housing Administration Refinance Program, Emergency Homeowners Loan Program, Choice Neighborhoods, Promise Zones, Project Rebuild, Integrated Planning and Investment Grants, Sustainable Housing and Communities initiative and office rebranded as the Office of Economic Resilience, to name a few. For those concepts that were actually authorized or received appropriated funding, not one has met the goals originally established for it by the Administration.

FEDERAL HOUSING ADMINISTRATION

The Committee remains gravely concerned about the expanded mission and insufficient finances of the Federal Housing Administration (FHA) and is committed to protecting taxpayers from losses sustained by the FHA. Currently, the FHA is the largest government insurer of mortgages in the world, with a mortgage portfolio of 7.8 million loans and an outstanding portfolio of insurance-in-force exceeding $1 trillion.

The FHA's financial position has steadily deteriorated in recent years as a result of an unsustainable expansion of its mission and market share. Currently, FHA's overall share of the mortgage insurance market, measured in a variety of ways, ranges in estimates from 50.5 percent to 23 percent, depending on the data examined. The result of this mission creep has been financially ruinous for the FHA, leaving it fiscally weaker than at any point since its creation. On September 27, 2013, for the first time in its 80-year history, FHA required a $1.68 billion mandatory appropriation in taxpayer funds from the U.S. Treasury in order to balance its books and meet its statutory requirements. This shortfall was almost twice the FHA's initial projections in its FY 2014 budget proposal.

Additionally, in December 2013, an independent actuarial review showed that the FHA Mutual Mortgage Insurance Fund's (MMIF) capital reserve ratio had improved from a negative 1.44 percent from the previous year to negative 0.11 percent for FY 2013. This marks the fifth consecutive year that the FHA's reserve ratio remains far below its legally-mandated threshold of 2 percent. The independent review also stated that FHA's economic value improved from a negative $16.3 billion to negative $1.3 billion, which is the projected amount the FHA would lose if it stopped insuring new mortgages and covered its outstanding losses.

While the President's FY 2015 budget proposal does not foresee a drawdown from Treasury at the end of this fiscal year, the Committee remains concerned that the FHA has

failed to make full use of its existing authorities to protect the health of the MMIF. To its credit, the FHA increased annual premiums six times since October 2010. However, the Committee is concerned that the FHA will choose to increase its market share, at the expense of the private market, in order to improve its fiscal position rather than developing and implementing a comprehensive strategy for managing its risk and protecting taxpayers.

Notwithstanding the improvement in its finances from 2012 to 2013, the FHA continues to be technically insolvent and poses a threat to taxpayers. GAO continues to list the FHA as a program at "high risk" for waste, fraud and abuse, highlighting congressional concerns about the agency's management challenges and troubled finances. The GAO's designation of the FHA as a high-risk agency, coupled with the historic $1.68 billion U.S. Treasury drawdown, underscores the significant risk that the FHA poses to American taxpayers and the urgent need to enact meaningful FHA reforms.

The Committee also believes that the FHA must explore additional measures to strengthen its credit policies. Moreover, the Committee is concerned that the FHA lacks the capacity to properly oversee its single-family loan insurance portfolio and therefore supports the Administration's proposal to charge additional administrative fees. The Committee encourages HUD to follow the example of the Rural Housing Service's FY 2015 proposal to implement an administrative fee or "guarantee underwriting fee" to pay for building and investing in technological infrastructure and covering administrative costs. The Committee looks forward to reviewing FHA's proposal to change its underwriting criteria to ensure that qualified borrowers are able to access and sustain mortgages insured by the FHA.

The Committee also strongly recommends a return to the FHA's traditional role in the mortgage insurance market, a view that the Administration purports to share. Three years ago, the Administration released a report entitled "Reforming America's Housing Finance Market: A Report to Congress," where the Administration stated that "FHA should return to its pre-crisis role as a targeted provider of mortgage credit access for low- and moderate-income Americans and first-time homebuyers." Unfortunately, since then the Administration has failed to provide any comprehensive reform proposals to return FHA to its traditional role.

Title II of H.R. 2767, the Protecting American Taxpayers and Homeowners Act of 2013 (PATH), includes reforms designed to place the FHA on a more sustainable fiscal course and return it to its historical mission of serving first-time, low- and moderate-incomehomebuyers. PATH would allow FHA to operate quasi-independently from the political considerations of its parent agency—HUD—and preserve the agency's counter-cyclical role when the private markets retreat from funding housing. The Committee

believes these enhancements would preserve FHA's unique market role, while also encouraging and facilitating more robust private sector participation.

The Committee is also concerned about the health of FHA's Home Equity Conversion Mortgage (HECM) program, also known as reverse mortgages. Established as a pilot program in 1989, the program gained permanent status in 1998 and has grown steadily. In FY 2014, FHA transferred almost $6 billion, which included the $1.68 billion mandatory appropriation, to bail out the HECM program. Given the uncertainty regarding home price appreciation and the HECM program's elevated default rate, the Committee will continue its oversight of the program and push for reforms outlined in the PATH Act that protect taxpayers and encourage greater private sector participation.

SECTION 8 VOUCHER PROGRAM

For FY 2015, the Administration requested an increase in funding for the Section 8 housing choice voucher program to $20.045 billion, up from $19.177 billion enacted in FY 2014. The growth of this program is on an unsustainable trajectory, and absent substantial reform, will consume an ever-increasing percentage of HUD's entire budget despite serving the same number of families. While changes to the voucher funding formula over the last decade have increased voucher usage and efficiency, comprehensive reform is still needed. In 2007, the OMB reported that HUD "*does not track long-term performance outcome measures because the agency lacks a reporting mechanism to capture how program funds are used.*" The OMB also found that the program's effectiveness remained unknown. The Committee believes that the public is better served not by expanding Section 8 but by reforming the program to target need so that public housing authorities can serve more people within existing funding levels. Currently, the average tenancy turnover of Section 8 vouchers by non-elderly and disabled families is 10 years. Reforms to Section 8 and other assisted housing programs must address the small percentage of individuals and families who remain on assistance over a much longer period of time in order to discourage inter-generational dependence on assisted housing. The Committee believes that Section 8 recipients who are neither elderly nor disabled should be encouraged to move toward self-sufficiency so that assistance can be provided to those applicants who have patiently waited for assistance, in some cases for almost ten years.

PROJECT-BASED SECTION 8

In its FY 2015 budget submission, the Administration proposes to shift funding for Project-Based Section 8 contract renewals from a fiscal year to a calendar year cycle. While this may be consistent with HUD's other affordable rental programs, the Committee is concerned that changes to the contract renewal process for project-based vouchers will push renewal costs into later years. As part of its examination of the Project-Based Section 8 program, the Committee will work with the Administration to encourage the

development of new ways to encourage the conversion of public housing units to long-term, Project-Based Section 8 contracts, with a goal of providing opportunities for private sector investment in capital improvements.

PUBLIC HOUSING

In its FY 2015 budget submission, the Administration requested $6.525 billion for the Public Housing Operating Fund and the Public Housing Capital Fund, which the Administration proposes to combine for any eligible expense under both programs. Because the funds needed to maintain existing public housing stock outpace appropriations, the Committee will encourage the Administration to propose alternative means of financing the development of affordable housing as part of a comprehensive housing strategy. In the 112th Congress, the Committee began work on a series of reforms to help increase the efficiency of public housing administration. These reforms included an adjustment for inflation to the minimum rent contribution, updates to income calculation deductions, and new flexibility for housing authorities to best deploy their capital and operating funds for public housing. The Committee will continue to explore these and other reforms in the 113th Congress.

In its FY 2015 budget request, the Administration is requesting $400 million for the Choice Neighborhoods program. This program is similar to the efforts of the HOPE VI program that was designed to demolish and rehabilitate public housing units. The Committee has long been critical of the mission and effectiveness of the HOPE VI program, funding for which has been zeroed out repeatedly in prior Administration budgets. The Committee remains skeptical of the Administration's dedication of scarce resources to expand the scope and cost of the program under a new Choice Neighborhoods banner, which is currently unauthorized. This initiative is not new; however, it is an example of the Administration's failure to conduct a comprehensive review of existing housing programs and develop an integrated plan to streamline programs and articulate a clearer vision for HUD.

RENTAL ASSISTANCE DEMONSTRATION

Over the past two decades, the federal government has invested tens of billions of dollars in the development and maintenance of public and multifamily housing units even though HUD reports that public housing stock has shrunk at a rate of 10,000 units per year over the last 12 years. The Committee recognizes that this trend is not sustainable and that new, innovative approaches are necessary to change the public housing paradigm. To make more capital available to maintain and rehabilitate public housing, the Committee supports the concept of the Rental Assistance Demonstration (RAD) program.

Funded as a 60,000-unit demonstration in the 112th Congress, RAD seeks to make financing options that are currently available to voucher-assisted property owners and managers similarly available to Public Housing Authorities (PHAs) to maintain public housing stock. The Committee supports the Administration's proposal to lift the 60,000-unit cap and allow more eligible PHAs to convert public housing units to long-term Project-Based Section 8 contracts, thereby permitting PHAs access to private capital to pay for maintenance and rehabilitation of public housing stock. The Committee believes that RAD would permit PHAs to partner with local developers, property owners, and nonprofit organizations to preserve affordable housing units that would otherwise fall into disrepair, become uninhabitable, and eventually leave the affordable housing stock forever. When implemented properly, RAD could streamline HUD's rental assistance programs, increase resident choice, and improve resident mobility.

NATIONAL HOUSING TRUST FUND

Created by the Housing and Economic Recovery Act of 2008 (HERA), the National Housing Trust Fund was originally to be funded through revenue taken from Fannie Mae and Freddie Mac. Given the GSEs' current status in conservatorship, the Administration has suspended the use of Fannie Mae and Freddie Mac as the funding source for the National Housing Trust Fund. The Administration has instead requested $1 billion in mandatory funding in its FY 2015 budget proposal. The Committee agrees with the Administration's assessment that the Trust Fund is similar in its core requirements to other government housing programs, such as the HOME program. The Committee rejects the need to create a duplicative new federal bureaucracy to administer essentially the same program that could be achieved with several of the existing 160 housing programs identified by the GAO.

NATIVE AMERICAN HOUSING

HUD provides the bulk of its funding for housing on Indian tribal lands through its Indian Housing Block Grant (IHBG) program. In its FY 2015 budget submission, the Administration is requesting $650 million for IHBG, which is the single largest source of federal funding for housing on Indian tribal lands. That request is equal to the amount appropriated for IHBG in FY 2014.

IHBG was authorized through Title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), which consolidated several federal housing assistance programs for Native Americans into a needs-based formula block grant. IHBG recipients have the flexibility to use funding in a variety of ways to develop, operate, maintain, or support affordable housing for rental or homeownership based on the distinct housing needs of the Native American people they serve, including rehabilitating existing

housing, constructing new units, operating home loan programs, or providing rental assistance.

Given the level of federal funding for IHBG, the Committee continues to be concerned about bureaucratic and administrative problems that have impeded funds from reaching their intended beneficiaries. The program has an obligated unexpended balance of $772.5 million, which represents a 21 percent decrease from the previous year's unobligated balance of $979.7 million. While the Committee acknowledges that housing development, like other forms of capital development, can be a multi-year process and that recipients should be allowed a reasonable time in which to plan for and expend their funding, the program's slow spend-out rate means that unexpended balances exceed the program's annual appropriation.

The Committee intends on using the reauthorization of NAHASDA to explore the sources and causes of these unexpended balances to ensure that the program operates efficiently. During the last year, the Committee worked with HUD and stakeholders to understand the challenges in developing affordable housing in tribal communities, including statutory impediments, HUD internal administration, and the myriad of intra-tribal organizations. The Committee supports the Administration's FY 2015 budget proposal to withhold funding from any grantee that, on January 1, 2015, has a total undisbursed balance greater than three times the funding allocation it would otherwise receive in 2015, where there is no legitimate reason to strategically hold its allocation. Additionally, the Committee supports the designation of an ombudsman at HUD for grantees affected by this proposal to ensure that any impediments to their successful deployment of funds awarded under NAHASDA are addressed.

RURAL HOUSING

Since the 1930s, the Rural Housing Service (RHS), and its predecessor agencies under the Department of Agriculture (USDA), has sought to address the homeownership and rental challenges in remote areas where private capital plays a diminished role in the housing finance market. RHS also offers a subsidized direct loan for the purchase of single family housing to low- and very-low income borrowers unable to qualify for credit elsewhere. However, in recent years multiple GAO reports have highlighted the overlap of RHS, FHA, and Veterans Affairs homeownership and rental programs.

The Administration's FY 2015 budget requests $1.6 billion to fund the RHS. The Administration proposes to create 166,000 direct and guarantee income-targeted loans for low- and very-low income families, as well as to significantly reduce RHS' role in its direct lending program by 40 percent. This proposed change raises serious questions as to whether today's RHS is functionally distinguishable from FHA single- and multifamily programs that serve the same market.

Furthermore, other questions have been raised about RHS' effectiveness and current mission. It has failed to make any adjustments to reform its management structure or ability to collaborate with other federal agencies to reduce costs and maximize taxpayer investments. GAO found that RHS *"relies on more in-house staff to oversee its single-family and multifamily loan portfolio of about $93 billion than HUD relies on to manage its single-family and multifamily loan portfolio of more than $1 trillion."* Moreover, an August 2012 GAO report noted that RHS' *"largely decentralized field structure...ha[d] not kept pace with its shift towards guaranteed lending."*

The Committee understands that the USDA has a myriad of objectives and programs ranging from food safety to livestock management best practices. When the Farmers Home Administration (FmHA) was reorganized in 1995 as the Rural Housing Service, there was a belief that the umbrella sub-agency—Rural Development—would transform the housing entity into a nimble and responsive agency. However, the Committee is concerned about the Administration's lack of commitment to that objective. For example, a December 5, 2013 memorandum by USDA entitled the "Rural Development's Mission, Areas of Focus, and 2014 Area Goals," failed to mention either "housing" or the "Rural Housing Service."

Additionally, two years ago, the Administration created the Rental Policy Working Group to coordinate housing programs and maximize efficiencies that ultimately save taxpayer funds and focus on improved delivery service to low- and very-low income families. Neither RHS nor HUD has reported to Congress on its progress nor does the budget reflect any cost savings from this effort. More disturbing, however, is the GAO finding that in FY 2009, the FHA *"insured over eight times as many single-family loans in economically distressed rural communities as RHS guaranteed. And, many RHS loan guarantees financed properties near urban areas—56 percent of single-family guarantees made in 2009 were in metropolitan counties."* GAO concluded that *"consolidation or greater coordination of RHS and FHA's single-family loan programs that serve similar markets and provide similar products may offer opportunities for savings in the long term."*

NATIONAL FLOOD INSURANCE PROGRAM

According to the GAO, the National Flood Insurance Program (NFIP) must be fundamentally reformed to stabilize its long-term finances. As of February 28, 2014, the NFIP owed taxpayers $24 billion, with the authority to borrow an additional $6.425 billion, for a total taxpayer exposure of $30.425 billion, a debt which CBO, GAO and other independent authorities believe the NFIP will never be able to repay.

The Committee worked effectively in a bipartisan manner to enact comprehensive reforms to the NFIP in 2012 as part of the Biggert-Waters Flood Insurance Reform Act. The Act included a number of important reforms designed to make the program more

actuarially sound, for example by phasing out subsidized rates, increasing premiums, and streamlining and strengthening flood mitigation efforts to reduce the number of repetitive losses which act as a drain on the NFIP. Like the Administration, the Committee supports a phased transition to actuarially sound flood insurance rates, as provided for by the Biggert-Waters Act, in order to enable policyholders and communities to adjust to risk-based premiums.

The Committee notes that the Biggert-Waters Act contains many provisions that would allow the flood insurance program to reform its premium structure so that it can collect the premiums it needs to pay out claims. The Committee also acknowledges that for some individuals, businesses and communities that have grown accustomed to NFIP subsidies, the onset of actuarial rates might create unforeseen hardship. However, by asking that owners of subsidized properties pay actuarial rates that reflect their full risk, the Biggert-Waters Act would make these properties pay their fair share, thereby increasing the amount of funding to the flood insurance fund. Given the NFIP's unsustainable finances and the unacceptable demands the program places on taxpayers, Congress must consider additional reforms to promote greater private sector participation in the short-term and privatization of the program in the long-term.

TERRORISM RISK INSURANCE

Congress passed the Terrorism Risk Insurance Act of 2002 (P.L. 107-297), popularly known as TRIA. TRIA established the Terrorism Risk Insurance Program, which is administered by the Treasury Department and was designed as a temporary, transitional program to make terrorism insurance coverage more widely available. Under the program, the federal government and the insurance industry share the risk of loss from terrorist attacks that meet certain statutory criteria. Last reauthorized in 2007, the Terrorism Risk Insurance Program is set to expire on December 31, 2014. The Committee agrees with the Administration's assessment in the FY 2015 budget submission that any reauthorization of TRIA must include programmatic reforms to limit taxpayer exposure and achieve cost neutrality for the program. The Committee takes the Administration at its word when it states: "The Administration will work with Congress to identify appropriate adjustments to program terms to achieve budget neutrality and, over the longer term, full transition of the program to the private sector."

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the Dodd-Frank Act to regulate providers of credit and other consumer financial products and services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that includes consumer protection functions transferred from seven different Federal agencies, and the authority to write rules, supervise compliance, and enforce all consumer protection

laws and regulations other than those governing investment products regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission. The Bureau has a dedicated Office to protect military men and women. The Committee commends the Bureau and its Office of Service Member Affairs to the extent it has quickly and effectively identified concerns and complaints of military members and their families and engaged in legal action and education to protect those Americans who protect this country.

The Dodd-Frank Act housed the CFPB within the Federal Reserve System (Fed) as an "independent bureau," but the Act makes clear that the CFPB is to be autonomous of the Fed in carrying out its mission. The CFPB Director determines the agency's budget, which is drawn from the Fed's combined earnings. Every dollar not drawn from the Fed by the CFPB would otherwise be available for remittance by the Fed to the Treasury for purposes of federal deficit reduction. The CFPB's annual budget authority is set by statutory formula. For Fiscal Year 2013, it was $597.6 million. The CFPB's budget authority for Fiscal Year 2014, as adjusted by an annual inflation indicator, is $608.3 million. If, in any given fiscal year, the CFPB obligates fewer funds than it draws from the Fed, these funds do not expire and remit back to the Fed; rather, the CFPB brings forward its unobligated funds to expand its budgetary resources in future fiscal years. In Fiscal Year 2013, for instance, the CFPB brought forward an unobligated balance of $100 million. In practice, this arrangement enables the CFPB to accumulate large sums to spend on projects of dubious value, including, for instance, at least $145.1 million to renovate a headquarters building it does not own and average annual compensation of $167,891 per employee.[2]

The CFPB's budgetary process, as designed by the Dodd-Frank Act, shields the CFPB from the appropriations process and undermines congressional oversight. To promote greater transparency and accountability in CFPB budgeting, on February 27, 2014, the House passed H.R. 3193, which among other reforms subjects the CFPB's funding to the Congressional appropriations process and places CFPB employees on the General Services (GS) pay scale.

In its Fiscal Year 2015 budget document, the Administration anticipates the CFPB will incur $570 million in total new obligations for Fiscal Year 2014, including an unspecified $215 million for "Other services from non-Federal sources," and $583 million in total new obligations for Fiscal Year 2015. The Committee views these funding levels as excessive. H.R. 3193 reduces direct spending by $6.1 billion and authorizes annual appropriations for the CFPB of $300 million for Fiscal Years 2014 and 2015.

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[2] *See, e.g.*, "CFO update for the fourth quarter of fiscal year 2013," available at http://files.consumerfinance.gov/f/201312_cfpb_cfo-q4-update.pdf; "Strategic Plan, Budget, and Performance Report," pp. 15-16 (Mar. 2014), available at http://www.consumerfinance.gov/strategic-plan-budget-and-performance-plan-and-report/.

ORDERLY LIQUIDATION AUTHORITY

The 2008 economic crisis exposed the U.S financial system's vulnerability to financial firms that government officials and financial market participants believed had become "too big to fail," in large part because the creditors of these large, complex financial institutions believed themselves to be the beneficiaries of an implicit government guarantee that would protect them against losses if these firms failed. In turn, these large financial institutions exploited their creditors' "too big to fail" government guarantee to take advantage of lower borrowing costs, which permitted them to grown even larger at the expense of smaller institutions. In the midst of the crisis, some government officials believed that the failure of these "too big to fail" firms could bankrupt their creditors and counterparties, leading to cascading failures across the financial system.

In hopes of mitigating the perceived consequences of allowing large, complex financial institutions to fail, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203), which established an Orderly Liquidation Authority that granted the Federal Deposit Insurance Corporation (FDIC) the authority to resolve non-bank financial institutions whose failure government officials believe might pose a threat to the financial stability of the United States. Title II of the Dodd-Frank Act authorizes the FDIC to serve as the failing institution's receiver, with a mandate to liquidate the institution. This authority is intended as an alternative to bankruptcy for large non-bank financial institutions, vesting federal receivership powers in the FDIC similar to the FDIC's existing powers to take over insured depository institutions.

Even though the authors of the Dodd-Frank Act purported to end bailouts of "too big to fail" firms, Title II nonetheless grants the FDIC the authority to borrow from the Treasury to capitalize an "orderly liquidation fund," which the FDIC can use to pay off the creditors of the failed firm in order to keep these creditors from running on the failing institution, if government officials believe that such payments are necessary to contain systemic contagion. The Orderly Liquidation Authority thus perpetuates the government guarantee enjoyed by these creditors, which helped create the "too big to fail" problem in the first place. Although the proponents of the Orderly Liquidation Authority point to provisions in Title II which permit the FDIC to recoup costs from large financial institutions through post hoc assessments, the Congressional Budget Office has previously estimated that repealing Title II would achieve savings of $3.383 billion in FY 2012-13, $13.585 billion in FY 2012-17, and $22 billion in FY 2012-22.

FEDERAL RESERVE SYSTEM

In its FY 2015 Budget, the Administration projected that "Deposits of Earnings by the Federal Reserve System" would generate $225 billion during the 2015-2019 period and $462 billion from 2015-2024. The Committee believes this estimate is overly optimistic

given recent papers published by the staff of the Division of Research & Statistics and the Division of Monetary Affairs at the Federal Reserve Board of Governors in January 2013 and September 2013, which project that an increase in interest rates and the unwinding of the Fed's $4 trillion portfolio of assets could lead to capital losses ranging from $20 billion to $40 billion by 2020. Should annual losses on its portfolio and interest paid on excess reserves maintained by depository institutions at the Federal Reserve exceed the annual revenue generated from open market operations, the Fed will also cease remitting profits back to the U.S. Treasury, which totaled approximately $ 77.7 billion in 2013. According to the Fed staff's projections, remittances to the Treasury will drop off after 2017 and not pick up again until 2021, depending on the cumulative size of the Fed's portfolio of assets and the rate at which interest rates rise in the future.

At present, the Committee believes the Administration's FY 2015 remittance projection is overstated by at least $38 billion from 2015-2019 and at least $152 billion from 2015-2024. If the Fed's exit from several rounds of quantitative easing is more disorderly than projected, the costs to the Fed will be far higher and remittances to the Treasury far lower. Further, the fiscal impact of lower remittances by the Fed would be compounded by increased borrowing costs. Indeed, the Congressional Budget Office estimated on March 27, 2013 that an interest rate environment like the one the U.S. experienced during the Great Inflation of the 1980s would result in an additional $6.3 trillion in interest payments on federal debt.

OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) is an office created by the Dodd-Frank Act and housed within the Treasury Department to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of the United States. The Dodd-Frank Act charges the OFR with supporting the FSOC and its member agencies in the following ways: collecting information for the FSOC and its member agencies; standardizing the types and formats of data reported and collected; performing applied and long-term research; developing tools for risk measurement and monitoring; making the results of its activities available to financial regulatory agencies; and assisting the FSOC's member agencies in determining the types and formats of data that the Dodd-Frank Act authorizes them to collect. The OFR can compel financial companies to provide a broad range of data. For example, the OFR must collect "financial transaction data and position data" from financial companies — that is, real-time data about financial transactions, positions, and financial contracts.

The Government Accountability Office (GAO) raised concerns about OFR's lack of transparency and its inability to appropriately gauge its effectiveness in an audit of the OFR and the FSOC released in September 2012 titled, "New Council and Research Office Should Strengthen the Accountability and Transparency of Their Decisions." Additionally,

a report released by the OFR on September 30, 2013 titled "Asset Management and Financial Stability" has drawn substantial criticism from Members of Congress of both parties as well as Commissioners from the Securities and Exchange Commission and industry representatives due to concerns about the accuracy, methodology and conclusions of the report. Of particular concern was that the OFR's flawed analysis of the asset management industry would be used by the FSOC in designating non-bank financial institutions for enhanced prudential regulation by the Federal Reserve Board pursuant to Section 113 of the Dodd-Frank Act.

The OFR is funded outside of the appropriations process through assessments levied on large financial companies. According to the OFR's 2013 Annual Report, the OFR's FY 2014 estimated budget is $86 million. The President's Budget for FY 2015 lists the estimated budget for the OFR at $92 million. The President's Budget for FY 2015 also notes that the OFR estimates significant unobligated balances of $78 million for FY 2014 and $81 million for FY 2015. The Committee remains concerned about (1) the OFR's broad powers; (2) the OFR's unlimited authority to collect financial data and whether it has adequate procedures in place for safeguarding that data; (3) the Treasury Department's influence on the OFR; and (4) Congress's limited oversight of the OFR. The Committee will continue to closely monitor the activities of the OFR and intends to examine whether the OFR's funding should be subject to the Congressional appropriations process to promote greater accountability and transparency. The Committee commends the addition of language in the Consolidated Appropriations Act, 2014 (P.L. 113-76) mandating new quarterly reporting requirements for the OFR on its spending and fulfillment of its mission and providing Congress with the authority to request testimony on these reports.

EXPORT-IMPORT BANK

The Export-Import Bank is an independent agency that provides export financing through its loan, guarantee, and insurance programs. While the Export-Import Bank has historically offset the costs of its operations with the fees it collects, the Committee notes with concern the results of recent stress tests of the Bank's portfolio conducted by the Bank and reviewed by the Government Accountability Office. The tests show the Bank could exhaust its capital reserves in a stressed environment, potentially placing taxpayer dollars at risk for future bail-outs. Also of concern is whether the dramatic growth of the Export-Import Bank in recent years could undermine the Bank's fiscal soundness, and whether the Bank's current capital standards adequately protect against potential losses, particularly in light of the Export-Import Bank Inspector General's observation in a 2012 report "that Export-Import Bank's current risk management framework and governance structure are not commensurate with the size, scope, and strategic ambitions of the institution."

MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks (MDBs) provide concessional lending and grants to the world's poorest countries and provide non-concessional lending to middle-income and poorer credit-worthy countries. In the past, the U.S. has provided funding to MDBs through pledges made by Treasury on behalf of the U.S. to international organizations, and Congress has considered these pledges and partially funded them through the appropriations process. The Committee notes that the Administration has significantly over-committed the United States in pledges to the multilateral development banks, resulting in more than $1.5 billion in payments past due to these institutions since 2005.[3] The Committee recommends the Administration set a good example for recipient countries of multilateral development assistance by exercising discipline and not making commitments that it cannot honor. The Committee urges Treasury to advocate that governments receiving assistance from the multilateral development institutions do not engage in human rights abuses and corrupt activities.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) provides loans to countries that cannot meet their international payments and are unable to find sufficient financing to meet their obligations. The IMF also provides global oversight of the international monetary system and provides technical assistance to low- and middle-income countries. The United States played a significant role in creating the IMF and, as its largest shareholder, has veto power over major IMF decisions. The Committee will review the policies of the IMF with an eye toward ensuring effective use of resources and appropriate alignment with U.S. interests in promoting economic growth and stability.

The Committee will consider whether a lack of transparency in the IMF's governance structure prevents the public from having an appropriate degree of input into fundamental changes in IMF policies, such as the IMF's "exceptional access framework," a rule that prevents the IMF from making loans to countries with unsustainable debts. The Committee notes that it was only from leaked board documents that the public learned how IMF staff "'silently' changed"[4] the exceptional access policy in order to approve a controversial loan for Greece, which the Brazilian representative to the IMF noted with concern "amounted to a bailout of Greece's private sector bondholders, mainly European financial institutions," prompting the Argentine IMF representative to conclude that "it is very likely that Greece might end up worse off after implementing this program."[5]

The Committee will therefore consider whether the Administration's request to transfer resources from the New Arrangements to Borrow (NAB) to quota subscription is

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[3] Department of the Treasury, FY 2015 Budget Request, Justification for Appropriations, p. 6.

[4] Remarks attributed to the Swiss Executive Director to the IMF, "IMF Document Excerpts: Disagreements Revealed," *Wall Street Journal*, October 7, 2013, *available at* http://on.wsj.com/15SqhGt.

[5] "IMF Document Excerpts: Disagreements Revealed," *Wall Street Journal*, October 7, 2013, *available at* http://on.wsj.com/15SqhGt.

still needed, in light of reforms that do not go far enough to reduce the influence of European nations on the Executive Board. During consideration of any such request, the Committee will assess the purpose of the transfer and potential risks the transfer might pose, as well as possible consequences for the stability of the international financial system and U.S. economic interests if the pending quota package is not approved.

Minority Views

The following represent the views of the Democratic Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2015.

March 14, 2014

Forty-seven million Americans today live in poverty. That number is simply too high. However, it is important not to confuse the continued existence of poverty with the notion that we have not made large strides over the past 50 years to alleviate it. The social safety net has proven to be a crucial tool in lowering poverty rates for many years. While all policymakers want to increase economic growth overall, it is dangerous to pretend that without effective, targeted and proven investments aimed at lower-income individuals and communities, economic growth alone will solve this persistent problem. As the American economy continues to produce jobs, 8.5 million in the past 47 months, we should continue to pursue policies that will accelerate that growth. However, we also have a responsibility not to abandon strategies and programs that have been helping millions of Americans for generations. According to studies, without the social safety net, the poverty rate in 2011 would have been nearly twice as high – 29 percent compared to 16.1 percent – as without these programs. For young people under 18, the disparity would have been 29.9 percent living in poverty, as compared to 18.2 percent. Pretending that simply cutting these programs, in some cases dramatically, will somehow magically lift people out of poverty is not historical, sensible or fair.

Of course, our willingness to make public investments happens in the context of the overall budget and budget deficit. It is important to view the current budget deficit in context. The budget President Obama inherited in 2009 reached an alarming annual deficit of $1.4 trillion that fiscal year. Since that time, the deficit has fallen rapidly and steadily. The Congressional Budget Office (CBO) projects that the deficit will shrink to $514 billion in fiscal year 2014 without any policy changes – or roughly 3 percent of GDP – which is the average size of the deficit over the past 40 years. Moreover, CBO projects the deficit to decrease further in fiscal year 2015 to $478 billion, down to 2.6 percent of GDP. The budget proposed by President Obama would go even further -- projected to reduce the deficit to 1.6 percent of GDP by the year 2024. This includes a series of substantial investments in job training, research and development, education, the expansion of the earned income tax credit and other initiatives that will help grow the economy, put people back to work and expand opportunities. It is an important priority to continue to reduce the budget deficit to a manageable level. However, the deficit is not an excuse for policymakers to abandon programs that for decades have successfully reduced poverty and expanded opportunities for the middle class and others. It is also not an excuse for policymakers to stop exploring additional ways to do so. Despite progress in some areas, there remain fundamental inequities in our economy. Dramatic disparities persist along many parts of the U.S. population. Poverty rates for African-Americans and Latinos are disproportionately and cripplingly high. Many rural communities suffer from poverty rates far higher than the national average.

The Committee on Financial Services has authority and jurisdiction over many programs that are part of our national efforts to see that economic opportunity is available to all

Americans. Those programs, and our budget recommendations, are highlighted in detail in these views. We fundamentally disagree that the goals of economic growth and helping everyone in our society, including the most vulnerable, are at odds with one another. The President's budget for fiscal year 2015 sets an important, balanced direction as we try to meet both of these goals. This committee has the capacity, and the duty, to continue pursuing budget policies that ensure economic growth, reduce economic inequality and expand opportunity for every American.

END THE SEQUESTER FOR FY 2015 AND BEYOND

The Majority passed Views and Estimates for FY 2015, but nowhere in its document does it mention the stranglehold of the budgetary "sequester." Although the Bipartisan Budget Act of 2013 largely mitigated the most devastating effects of the sequester in FY 2014 and FY 2015, it only replaced half of the discretionary cuts for 2014, just one-fifth of the scheduled cuts for FY 2015 and none of the cuts in future years. Democrats do not believe that the American people should be held hostage to an extreme ideology that jeopardizes hundreds of thousands of jobs, slows U.S. economic growth and ignores vital investments in our future. If the sequester is not ended once and for all, the Federal Government will be forced to make cuts vital services to children, seniors, people with mental illnesses, and our armed forces.

The negative effects of the sequester can be avoided in FY 2015, in part, by adopting the Administration's Opportunity, Growth and Security Initiative, a balanced plan that includes targeted spending cuts and revenue increases, such as closing unnecessary tax loopholes. We urge Congress to act now to consider this approach to reduce the level of US debt without impairing our country's job growth and recovery from the recession.

SECURITIES AND EXCHANGE COMMISSION (SEC)

Democrats continue to be concerned that the SEC has been constrained financially for the last four years even as U.S. and world capital markets have grown at an ever accelerating rate. As a result, the SEC has been unable to make investments in human capital and technology necessary to keep pace. We believe that Congress needs to fully fund the SEC at $1.7 billion in FY 2015 to bolster the strength and stability of our markets as well as carry out its role of protecting investors, including Americans saving for retirement.

The SEC's important responsibilities to oversee the markets are broad and complex, and need sufficient funding to be successfully executed. Today, the Commission oversees more than 11,000 investment advisers, almost 10,000 mutual funds, 4,450 broker-dealers, 450 transfer agents, as wells as the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of nearly 9,000 public companies. We further note that the resources available to the SEC to examine investment advisors generally have severely lagged the number and sophistication of these advisors, also necessitating additional resources. These areas and others continue to need adequate

investment for the SEC to catch up to the markets and ensure fair, orderly and efficient markets that facilitate capital formation.

Moreover, the SEC has been implementing key provisions of both the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), which when combined have added 100 new rulemaking responsibilities for the Commission. The Dodd-Frank Act addressed areas that were part of the 2008 financial crisis, or that were yawning gaps in the Commission's coverage of the markets and market participants. For example, the SEC now has responsibility for regulating and overseeing a major portion of the market for credit default swaps, which destabilized the markets during the crisis, more than 2,500 hedge fund and other private fund advisers, 1,000 municipal advisors, as well as enforcing new executive compensation disclosures, and protecting whistleblowers. Congress passed the JOBS Act to reduce regulatory burdens on smaller businesses when raising capital, but also provided sufficient authority for the Commission to protect investors against fraud. It is critical that the SEC be able to hire personnel with the necessary expertise, and invest in IT systems to adequately examine and oversee these important measures.

On a general level, freezing or cutting back the SEC's budget will mean it will not be able to make additional hires to bolster economic analysis and enforcement. The SEC's experience enforcing the rule of law resulted last year in $3.4 billion in disgorgement and civil penalties, as well as a new emphasis on obtaining admissions of guilt. Similarly, after the courts placed new burdens on the agency for economic analysis, the Commission adopted internal guidance based on the cost-benefit analysis principles outlined in Executive Order 12866. The SEC has complied with this guidance, which GAO describes as "the basic elements of good regulatory economic analysis," when proposing several new regulations, including those for cross-border derivatives and crowdfunding. However, if Congress fails to provide the Commission with sufficient funding, it will not be able to hire additional economists and enforcement staff, which will cripple its ability to adopt or revise rules, and ensure that our markets abide by the rule of law.

We also want to note that the SEC's budget is paid for entirely by a fee levied on securities transactions and will in no way increase the government debt.

CONSUMER FINANCIAL PROTECTION BUREAU

Attacks on the Consumer Financial Protection Bureau (CFPB) continue despite the fact that this agency has proven itself to be an effective and independent advocate for millions of Americans. The CFPB has successfully recovered $3 billion for more than nine million consumers and service members from credit card companies and debt relief services and other illegal activities that have long plagued consumers. Since opening its doors in 2011 the Bureau has already made important progress in issuing key rules that protect against irresponsible mortgage lending and protect homeowners facing foreclosure.

Regardless of the agency's successes, critics continue their attempts to stymie the agency's effectiveness by taking up legislation to make it easier for Congress to eliminate its budget, and adding costly bureaucratic layers to the agency's structure. Such measures are disingenuously taken up under the auspices of promoting Congressional oversight, even

though the CFPB is, by statute, held accountable to Congress, other regulators, and the public in ways other financial regulators are not. Despite claims to support consumer protection, the Majority's budget views tout that the most recent, so called, accountability measure, H.R. 3193, would save taxpayers $6.1 billion dollars. Of course what is not stated is that these savings can only be realized as long as the Agency's operations are fully defunded for the period from 2015 to 2024.

The CFPB has made unprecedented efforts to be transparent by sharing a wealth of information on its website, and has requirements regarding input from small institutions and businesses that other financial regulators do not have. It is also subject to a GAO audit of its financial statements and an independent performance audit, and must supply semi-annual reports to Congress. Furthermore, representatives of the CFPB have testified in front of Congress 46 times to date.

The CFPB also has a dedicated Office to protect military men and women. The Committee commends the CFPB and its Office of Service Member Affairs for fast and effective work identifying abuses of military members and their families and in legal action and education to protect those Americans who protect this country.

The CFPB should continue to be fully funded so that it may thoroughly pursue its essential work on behalf of American consumers, protecting them as they navigate the financial marketplace, and ensuring continued access to credit for creditworthy borrowers.

GOVERNMENT SPONSORED ENTERPRISES

While the Majority asserts that the Government Sponsored Enterprises' (GSEs') losses are not reflected in the Administration's budget or in the U.S. Government's consolidated financial statement, this is misleading for several reasons and distracting to the need for comprehensive housing finance reform. While the Administration's budget request does not reflect the GSEs gross liabilities and assets, the budget does reflect all expected Treasury purchases of senior preferred stock in the GSEs, which represents the exposure to the taxpayers, in addition to projected dividend payments. In fact, the FY 2015 Budget projects that the GSEs will not need additional draws from the Treasury, but instead will remain profitable for the next ten years, paying in total $367 billion, which is $179 billion more than they borrowed. In addition, the US Government's consolidated financial statements include a contingent liability for the projected total costs of Treasury's preferred stock purchase. Such misleading discussion of the GSEs' proper budget treatment serves to distract from the more important need for comprehensive housing finance reform.

Contrary to the inaccurate description of PATH in the Majority Views, economists, housing advocates and industry all agree, the PATH Act is a bad bill. It ends the affordable 30-year fixed rate mortgage, making it a product only available to a tiny subset of lower-income FHA borrowers, or to the richest households getting jumbo loans. The bill removes key protections for investors but expects them to bear all mortgage credit risk. PATH is bad for community banks and credit unions by severely cutting their access to the capital markets and undermining FHA. The bill harms consumers by repealing existing predatory lending provisions. The bill abolishes the Affordable Housing Trust Fund, hurting renters, eliminating the GSEs' role in multi-family housing and making the FHA multi-family

program an administrative nightmare. PATH is bad for taxpayers, codifying an implicit guarantee on our housing market that will require a future bailout. In sum, the PATH to Nowhere Act would be a disaster for the American housing market, which drives nearly 20 percent of our nation's GDP.

Democrats believe that a robust mortgage market is required for a healthy, growing middle-class and broad economic growth. The secondary market plays a significant role in ensuring the health of the market, and efforts to reform the market should: maintain the affordable 30-year fixed-rate mortgage; protect taxpayers by fully paying for an explicit government guarantee; provide stability, liquidity and prevent disruptions to the U.S. housing market during a transition to a new finance system; support affordable rental housing and the multi-family market; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats support increases for the successful State Small Business Credit Initiative, which Congress created in passing the Small Business Jobs Act of 2010. The Treasury has already allocated $1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Treasury estimates that the first $271 million of federal funds alone supported lending and investments of $1.9 billion to more than 4600 small businesses, saving or creating more than 53,000 jobs. In fact, the initial $1.5 billion in funding is expected to result in as much as $15 billion in new lending to small businesses in participating states. Small businesses are the backbone of the American economy and Congress should bolster such efforts to increase jobs and promote economic growth by providing a new authorization of $1.5 billion.

VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM

The Administration's request of $75 million for Veterans Affairs Supportive Housing (VASH) vouchers is on par with the enacted amounts for FY2013 and FY2014. The Budget also allows HUD to allocate HUD-VASH funding to eligible, high capacity Native American Housing Block Grant recipients to specifically address needs of Native American homeless veterans on tribal lands. The HUD-VASH program has served an estimated 58,155 homeless veterans nationwide since 2008. HUD-VASH combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. Public Housing Authorities (PHAs) awarded HUD-VASH vouchers develop partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

HUD estimates that on any single night in 2013, there were 57,849 veterans without homes. The allocation of these vouchers is important to achieving the Administration's goal of ending homelessness among veterans.

HOUSING FOR THE ELDERLY AND DISABLED

The Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities programs are vital tools for providing new, and affordable, supportive housing for the elderly and persons with disabilities. Moreover, the Section 202 program is the only HUD program that currently provides housing exclusively for elderly households. The 2011 enactment of the Section 202 Supportive Housing for the Elderly Act (P.L. 111-372) streamlined HUD's administration of the Section 202 program and provided owners with additional tools to facilitate the preservation and rehabilitation of older Section 202 properties. The Frank Melville Supportive Housing Investment Act (P.L. 111-374), enacted in the same year, made similar reforms to the Section 811, Supportive Housing for Persons with Disabilities Program and authorized a new rental assistance-only demonstration program. In February 2013, HUD awarded approximately $97.8 million to carry out the demonstration, which is expected to produce approximately 3,530 new units of affordable, supportive housing for persons with disabilities.

RENTAL ASSISTANCE FOR VULNERABLE POPULATIONS

The Majority's Budget Views and Estimates state that 80 percent of HUD's FY 2015 budget will go towards renewing rental assistance for approximately 5.4 million residents in subsidized housing. We also note that according to a December 9, 2013 study by the Joint Center for Housing Studies at Harvard University, the recent economic crisis has raised barriers to homeownership and pushed the number of households paying excessive shares of income for housing to record levels. The Report concludes that the government's assistance efforts have failed to keep pace with this growing need, undermining the goal of promoting affordable housing for all. Federal rental assistance programs must be fully funded to continue to serve families who might otherwise face homelessness, many of whom are veterans, elderly, or persons with disabilities.

FEDERAL HOUSING ADMINISTRATION

We note that the Administration estimates that the FHA will end FY 2014 with a capital reserve balance of $7.8 billion and will not need a mandatory appropriation from the U.S. Treasury. The FHA has taken a number of extraordinary steps – including multiple premium increases, increases in down payment requirements for certain borrowers, eliminating the approval of loan correspondents, raising lender network requirements, re-examining reverse mortgage policies, and establishing the Office of Risk Management – to strengthen the Mutual Mortgage Insurance Fund. Additionally, FHA ended a policy whereby borrowers were permitted to stop paying annual insurance premiums when their loans amortized to a certain percentage of the original principal balance. FHA also now requires manual underwriting for loans with credit scores below 620 and debt-to-income ratios greater than 43 percent in order to ensure that such borrowers possess compensating factors that accord with FHA underwriting guidelines.

FHA continues to serve first-time homebuyers and lower income families who have the dream of homeownership. Furthermore, we note that contrary to the Majority View's characterization that FHA has expanded its mission, FHA's market share, which reached its peak at 30 percent in 2009, continues to decline steadily. Finally, it is important to note

that it is the FHA's book of business in the years leading up to mid-2009 that experienced the worst delinquencies. Additionally, throughout the worst of the housing crisis, and in the years after, FHA's Multi-family portfolio remains strong.

COMMUNITY AND ECONOMIC DEVELOPMENT

The Administration's budget requests $2.8 billion for the Community Development Block Grant (CDBG) program, which is a 7.6 percent decrease from last year's funding level of $3 billion. Despite the increasing demand on state and local governments, funding for this program has been steadily decreasing since the program reached a high of $4.36 billion in FY 2003. We note that CDBG has a long and successful track record of helping hundreds of urban counties and cities meet locally identified needs. CDBG-related funding over the past decade is estimated to have sustained 400,000 jobs in local economies across the country. In 2012 alone, nearly 21,800 permanent jobs were created or retained using CDBG funds and more than 32.5 million people benefited from CDBG funded public facilities activities.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

The Section 8 Housing Choice Voucher provides assistance to about 2 million low-income households each year. The voucher program enables over 1 million elderly or disabled individuals to afford to live independently, and also serves as a critical lifeline for families experiencing temporary financial hardship. In fact, 88 percent of voucher recipients are elderly, disabled, working (or had recently worked), or likely to be subject to a work requirement under the Temporary Assistance for Needy Families (TANF) program. In the aftermath of the financial crisis, many families are still struggling to get back on their feet again and the need for this program is great. Additionally, public housing authorities are still recovering from the harmful and arbitrary cuts resulting from sequestration. Due to drastic cuts in funding, public housing authorities stopped issuing vouchers by the thousands. These families were immediately at risk for becoming homeless. Today, there are still too many families that are in need of housing assistance, but do not benefit from the voucher program solely due to funding limitations

We also note that the majority's claim that the program's effectiveness "remains unknown" is contradicted by the Center on Budget and Policy Priorities (CBPP). According to the CBPP's research, vouchers sharply reduce homelessness and housing instability, which in turn stem the effects of a plethora of developmental, health and educational problems for children.

PUBLIC HOUSING

The Public Housing Operating Fund and the Public Housing Capital Fund are two funding streams that help Public Housing Authorities (PHAs) make up the difference between what PHAs receive in rent from tenants and the costs to operate and maintain public housing. Public housing provides affordable housing to over 1 million low-income households. The overwhelming majority of these families are elderly, disabled, and families with children.

For a number of years, the amount of appropriations provided by Congress for these programs was insufficient to fund PHAs at 100% of eligibility, which is determined by formulae. In fact, funding for these programs has been steadily declining over the past decade. This has led to a backlog of capital needs among PHAs and a decline in the public housing stock. HUD's 2011 Capital Needs Assessment found that the backlog of capital needs in public housing stood at about $20.7 billion and that annual needs were accruing at a rate of $3.4 billion per year. Lack of sufficient funding has forced PHAs to put off modest repairs and defer energy efficiency improvements, which can end up costing more federal dollars in the long run. In turn, low-income households living in public housing units are vulnerable to deteriorating living conditions and possible displacement.

Even full restoration of funding to pre-sequester levels would merely stem the growth of the backlog of public housing capital needs. Additional measures are needed to repair and maintain the existing public housing stock. We look forward to working with the Majority on possible reforms to increase the efficiency of the administration of public housing. However, we maintain that the outstanding needs that exist cannot be fully addressed by administrative reforms. We continue to advocate for funding levels that adequately meet the needs of the PHAs.

NATIVE AMERICAN HOUSING

Native Americans living on reservations experience some of the poorest housing conditions in the United States. They also face unique barriers to home ownership because of the legal status of tribal lands and the resulting implications their status has for mortgage lending. The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) is critical to helping Native Americans meet their need for affordable housing.

Despite the balance of unexpended Native American Housing Block Grant (NAHBG) funds, most tribes spend their money quickly. Only a small number of tribes are responsible for most of the unexpended funds. In fact, HUD reports that, as of January 2013, nearly 94 percent of all NAHBG funds allocated between the program's inception in FY1998 and FY20011 have been disbursed. HUD is also working with tribes that have large balances of unexpended funds to help them spend their funds in a more timely fashion by, among other things, providing additional technical assistance.

It is also important to note that smaller tribes, which typically receive smaller allocations of funding on a yearly basis, need the flexibility of being able to build up unexpended funds in order to allow them to save enough funds to finance major development projects. The Navajo Nation, which has accounted for about half of the unexpended funds, has had some recent changes within their leadership, and has made progress on their goal to spend down their balance within the next five years.

In sum, there are a number of coinciding explanations for the unexpended balances that exist, but lack of serious need for these funds among Native American tribes is not one of them. We agree that we should be looking to implement reforms that will help these funds meet the affordable housing needs of tribes as efficiently as possible, but we caution against measures that will undermine the clear need for housing assistance among tribes.

RURAL HOUSING

Through its Rural Housing Service (RHS), the USDA has financed over 2 million units of home ownership housing and over 500,000 units of rural rental housing along with thousands of units occupied by low-income families and the elderly that have been repaired, and rental housing for farm workers. With a network of nearly 500 field offices located in small town and farming communities, the USDA has been able to cater to the unique needs of local communities. These field offices are important resources for families seeking affordable housing, local government officials seeking financing for community facilities, and businesses seeking capital.

The proposal to transfer RHS to HUD was addressed in a 2011 hearing held by the Subcommittee on Housing and Insurance within the House Financial Services Committee. The proposal was rigorously opposed by RHS, the Rural Housing Coalition and the Housing Assistance Council. There are significant questions about HUD's ability to adequately serve rural area housing and development needs, since it does not have a comparable network of field offices that RHS has. As a result, the focus on rural housing could be diminished by shifting this mission to HUD. HUD has noted that without legislative changes, any efforts to merge the programs likely would result in a more cumbersome delivery system. The USDA has also noted that such a merger could be detrimental and result in rural areas losing a federal voice. We echo these concerns and continue to oppose this proposal to merge RHS into HUD.

HOME INVESTMENT PARTNERSHIP PROGRAM

The HOME program is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Much like the CDBG program, the HOME program is unique in that it vests significant control to local and state governments rather than imposing a one-size fits all, Washington approach. This has resulted in a remarkable record of success. The HOME program consistently creates or preserves approximately 17,870 jobs for every $1 billion in funding.

Among HUD programs, formula grants under the HOME program have experienced the steepest decline (46%) in funding since 2002. We note that despite an 18 month Congressional investigation into the management and oversight of the HOME program in 2011, including extensive document production, no material findings of mismanagement resulted.

FAIR HOUSING

The Administration requested approximately $45.6 million in Fair Housing Initiatives Program (FHIP) funds, including $1.8 million for the national Fair Housing Training Academy, which provides fair housing and civil rights training for housing industry professionals. FHIP is critical to building and sustaining inclusive communities. It is the only grant program within the federal government with a primary purpose of supporting

private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. The Administration also requested approximately $23.3 million in Fair Housing Assistance Program (FHAP) funds. FHAP is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner.

HOUSING COUNSELING

The Administration requested $60 million for the HUD Housing Counseling program, which is a $15 million increase over FY 2014 enacted levels. Previously, we noted that the Office of Housing Counseling, which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, covers more than simply foreclosure mitigation and avoiding predatory lending. The Office of Housing Counseling also includes informing households about their housing choices in the areas of purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.

The Administration also requests $50 million for the Neighborhood Reinvestment Corporation's National Foreclosure Mitigation Counseling program, which is a $24 million decrease from the FY2013 funding level. This major decrease in funding comes at a time when foreclosure rates are still at crisis levels.

Finally, the Administration's budget includes a new demonstration project for the Homeowners Armed with Knowledge program, which will seek to improve the availability and sustainability of homeownership for first time home buyers through counseling. While time is needed to explore the details of this proposal, we are encouraged by the focus given to this important issue.

NEIGHBORHOOD STABILIZATION PROGRAM AND PROJECT REBUILD

We note that the $1 billion authorized by the Wall Street Reform and Consumer Protection Act for the Neighborhood Stabilization Program (NSP) is critical to helping state and local governments revitalize neighborhoods impacted by the collapse of the housing market and economic crisis. The Committee believes that incentivizing states to enact legislation that will bolster the efficacy of existing land banks and other public land disposition entities would strengthen the outcomes of the program.

We note that Project Rebuild is an essential component of President Obama's American Jobs Act. It would create jobs, stabilize communities, and bolster the housing market. Project Rebuild represents the next phase of the Neighborhood Stabilization Program (NSP). It would invest $15 billion to rehabilitate hundreds of thousands of distressed properties in communities across the country. In addition to rehabilitating residential properties, like NSP, Project Rebuild also would include abandoned and foreclosed commercial properties. We further note that the Majority Views unjustifiably states that Project Rebuild is a new and untested proposal. Due to the success of NSP, we already

know that Project Rebuild will work. Estimates project that Project Rebuild will support approximately 191,000 jobs.

NATIONAL HOUSING TRUST FUND

The National Housing Trust Fund was designed to provide a permanent source of funding for the development, rehabilitation, and preservation of affordable rental housing for extremely low- and very low-income residents. Unlike other federal housing programs, such as the HOME Investment Partnership, 90 percent of funding must be used primarily for the production of affordable rental housing and 75 percent must be used exclusively for the benefit of extremely low-income households.

The need for a National Housing Trust Fund continues to be great. In February 2013, the National Low Income Housing Coalition (NLIHC), relying on data from the 2011 American Community Survey found that there were only 57 affordable and available units for every 100 very low-income renters, and just 30 such units for every 100 extremely low-income families. The Administration has estimated that a fully capitalized Housing Trust Fund would generate approximately 16,000 affordable housing units and help to offset the harmful effects of budget cuts to other affordable housing programs. In March 2013, another NLIHC report entitled "Out of Reach 2013" found that the need for affordable housing among extremely low-income (ELI) households grows each year. In 2010, the need for affordable housing available to ELI households was at 6.8 million, and in 2011, that number rose to 7.1 million.

NATIONAL FLOOD INSURANCE PROGRAM

We note that the House passed bi-partisan legislation to reform certain changes made to the National Flood Insurance Program (NFIP) as a result of the Biggert-Waters Flood Insurance Reform Act of 2012. We note that this legislation included a number of important reforms to ensure the affordability of flood insurance. Although the changes enacted in the Biggert-Waters Act were designed to make the program more actuarially sound by, for example phasing out subsidized rates and increasing premiums, the improper implementation of these reforms by the Federal Emergency Management Administration (FEMA) led to unintended consequences that stalled the real estate market, forced families out of their homes, and left thousands with skyrocketing premiums.

The Committee notes that on March 4, 2014 the U.S. House of Representatives passed, under suspension of the rules, H.R. 3370, the Homeowner Flood Insurance Affordability Act of 2014, by a vote of 306 to 91. This legislation is critical to addressing affordability issues facing thousands of homeowners across our country. Due to FEMA's improper implementation of the Biggert-Waters Act, families were suffering from unintended consequences. The legislation provides relief to families that experienced dramatic increases in flood insurance premiums, communities that experienced depressed home prices, and homeowners left with the inability to buy or sell their home. The Committee will continue to monitor FEMA's implementation of H.R. 3370 and the NFIP to ensure the continued availability and affordability of flood insurance.

TERRORISM RISK INSURANCE

Unless Congress takes immediate action, the Terrorism Risk Insurance Act, known as TRIA, will expire, jeopardizing hundreds of thousands of jobs, halting development and slowing US economic growth. If TRIA is not reauthorized, terrorism insurance, which most commercial lenders require, will be unavailable or unaffordable.

Without the required coverage, real estate development will stall, causing thousands of jobs to be lost. Recent history suggests this is not mere speculation but fact. Following the tragic attacks of September 11, 2001, insurers excluded terrorism coverage or offered it at prohibitively high costs. The lack of availability of this coverage stalled economic activity, including lending for new construction and contributed to massive job losses. According to a study by the Real Estate Roundtable, in the 14 months between the 2001 attacks and the enactment of TRIA, over $15 billion in real estate-related transactions were stalled or canceled because of a lack of terrorism risk insurance. The White House Council of Economic Advisors also found there was an immediate and direct loss of 300,000 jobs in that same period from deferred construction.

The Committee urges Congress to act now and reauthorize this important program, quickly, cleanly, and for the long-term, so that working-class families continue to have jobs available and our economy continues to grow."

ORDERLY LIQUIDATION AUTHORITY

The Majority recommends the repeal of the regulators' authority to shut down a failing systemically significant financial firm when that failure would threaten the financial stability of the US. The Majority erroneously concludes that this resolution authority enshrines too-big-to-fail, when in fact Dodd-Frank provides all the tools necessary to end it. Working with financial institutions, regulators have already taken steps towards establishing resolution plans in advance of another crisis. Republicans claim that repealing the Orderly Liquidation Authority would achieve savings of $3.4 billion in FY 2012-13, $13.6 billion in FY 2012-17, and $22 billion in FY 2012-22, but this is entirely a budget gimmick which ignores that any cost of liquidation would be recovered from megabanks on behalf of taxpayers. The last financial crisis cost the United States an estimated $12 trillion in economic growth. Repealing the Orderly Liquidation Authority exposes the economy to additional uncertainty and instability, inviting a crisis whose cost would likely be an order of magnitude much greater than any claimed savings.

OFFICES OF MINORITY AND WOMEN INCLUSION

Most of the federal financial agencies were required under Section 342 of the Dodd-Frank Act to establish Offices of Minority and Women Inclusion (OMWIs) which, among other things, are responsible for developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management within each of the agencies in which they are located. The population in our country is becoming increasingly more racially and ethnically diverse. For this reason, it is a critically

important that the agencies have designated well-trained staff in and sufficient resources for the OMWIs to ensure that our financial agencies are able to attract, retain, and promote an inclusive and diverse workforce. Equal employment opportunity is no longer vital just because it is the right thing to do but it is necessary for these agencies to be positioned to understand the financial needs of and implement regulations and guidance for traditionally underserved communities and populations. We urge these regulatory agencies to allocate adequate resources to devising and implementing new and creative ways to recruit and retain a diverse workforce. Doing so will help combat the challenges identified in past years and foster a diverse and inclusive workforce.

FEDERAL RESERVE SYSTEM

The actions undertaken by the Federal Reserve have played an essential role in stabilizing the financial system in the wake of the worst financial crisis since the Great Depression and addressing the anemic growth and ongoing unemployment crisis that continues to plague millions of Americans.

The Majority's budget views fail to acknowledge the Federal Reserve's laudable and sustained attention to putting our economy on more stable footing, choosing instead to focus on whether the Federal Reserve will cease remitting profits back to the U.S. Treasury. In doing so, the Majority presents a misleading picture of projected future deposits of earnings from the Federal Reserve, citing only the worst case scenarios conducted by Fed researchers. The Majority views do not discuss the median expected outcome, nor do the views include a balanced discussion of the risks associated with reporting numbers that may paint a more positive outlook.

Furthermore, the majority's views miss the larger point, specifically, that deposits from the earnings of the Federal Reserve System are ancillary to the conduct of monetary policy. The Federal Open Market Committee (FOMC) should continue to set policy based on whether macroeconomic conditions require it to act in a manner consistent with its statutory mandate "to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates." The Federal Reserve should continue its focus on how best to meet its statutory objectives, rather than basing decisions on whether policy would maximize income for the Treasury.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) is an office created by the Dodd-Frank Wall Street Reform and Consumer Protection Act and housed within the Treasury Department. Its primary function is to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of the United States. The budgets of the OFR and the FSOC do not affect the deficit because they are offset by a fee on systemically significant financial institutions.

While the Government Accountability Office (GAO) raised concerns about OFR's operational progress and the effectiveness of its tools and metrics, the OFR continues to

grow its organization and build on GAO's recommendations. In its 2013 report, OFR discusses its efforts to develop new analytical tools and refine existing ones to assess and monitor threats to financial stability. For example, the OFR's Financial Stability Monitor provides a snapshot or "heatmap" of several financial stability indicators.

The FSOC and OFR are central to the overarching objectives of the Dodd-Frank Act, and they must be given the opportunity to refine their research, rulemaking, and deliberative process. In the years leading up to the financial crisis of 2008, the regulatory and supervisory framework did not keep up with the changes in size, complexity, interconnectedness and globalization that created the growing risks to financial stability. The FSOC and OFR are important to ensure regulators are working together to monitor systemic risk. Similar councils are being formed in Europe, and if given time, they should all work effectively together to ensure the global financial system is not threatened as it was in 2008.

EXPORT-IMPORT BANK

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. The mission of Ex-Im Bank is to enable U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create U.S. jobs that contribute to a stronger national economy. In FY 2013 Ex-Im Bank supported an estimated $37.4 billion in U.S. export sales and approximately 205,000 jobs across the country. Last year, 89 percent of the banks' total 3,842 transactions increased growth opportunities for small businesses. Further, one in five authorizations went to support minority- or woman-owned businesses.

Since FY 2008, Ex-Im Bank has operated on a self-sustaining financial basis, which means that the Bank is able to cover its own administrative, program and reserve expenses entirely through fees it charges for its services. In addition to offsetting the costs of its own operating expenses through the fees it collects, the Bank also generates excess funds that it sends each year to the Treasury. Last year after covering operating expenses and loan loss reserves, the Bank contributed $1.1 billion to the U.S. Treasury for the purpose of reducing the federal deficit. Ex-Im Bank's current default rate is extremely low, at 0.3% as of December 2013, and in the last three fiscal years, Ex-Im Bank has recovered more than it paid in claims.

Ex-Im Bank plays an increasingly important role in keeping U.S. businesses and their workers competitive as exports continue to comprise a growing share of the global economy, and changes included in the bipartisan 2012 reauthorization have made the bank even stronger. Moreover, in response to recommendations by the Bank's Inspector General, Ex-Im Bank has conducted stress tests of its portfolio and publishes the results of these scenarios in its quarterly default rate reports. Further, Ex-Im Bank's annual report shows that it has reserves adequate to cover likely losses even in the most extreme stress scenarios. To ensure American remains competitive in the global marketplace, Congress should swiftly move to reauthorize the Bank's charter which expires on September 30, 2014.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs), including the World Bank and the regional development banks, play a leading role in efforts to promote growth and alleviate poverty around the globe. We believe it is in the interest of the U.S. that the MDBs remain strong, credible and effective, and we support funding all U.S. commitments to these institutions, including paying U.S. arrears. Continued U.S. support will ensure our ability to influence and lead policy directions at the MDBs as well as prioritize global humanitarian initiatives in areas we deem critical, including consolidating new democracies, reducing poverty, and improving governance.

We support the principle that transparency and democratic participation in development decisions contributes to project quality and improved development outcomes. We support independent and effective accountability mechanisms at each of the development banks, and are particularly concerned that the Inter-American Development Bank does not currently have a credible, independent mechanism in place.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The World Bank's International Development Association (IDA) is the premier provider of multilateral development assistance for the world's poorest countries. We support IDA's contribution to the vitality of international development efforts, as well as the important role IDA plays in disaster reconstruction and recovery, famine relief, counter-cyclical lending during crises and in post-conflict countries.

IDA's strong leveraging of other donor contributions, coupled with internal World Bank resources, make it an effective organization in which to invest limited U.S. development resources. Every $1 contribution from the U.S. leverages almost $12 in contributions from other donors and internal World Bank resources. U.S. contributions to the landmark 2005 debt relief effort, the Multilateral Debt Relief Initiative, are also channeled through our annual contributions to IDA.

We strongly support meeting current U.S. commitments to IDA, as well as funding to clear U.S. arrears. Treasury and the World Bank should be mindful that Democratic support for the past two IDA replenishments was based in large part on the Bank's stated commitment to suspend the Employing Workers Indicator of its annual "Doing Business" report and to develop a Worker Protection Indicator. Given the lack of progress in developing a Worker Protection Indicator, the Committee now believes the Employing Workers Indicator should be permanently eliminated from the Report.

INTERNATIONAL MONETARY FUND

In December 2010, the International Monetary Fund (IMF) Board of Governors agreed to double the current IMF quota to ensure the IMF has adequate resources relative to its role in the global economy and implement IMF Board governance reforms that give poor countries a greater voice at the IMF. Congressional approval would not increase total U.S. obligations to the IMF; rather the U.S. would transfer a portion of its existing commitment from one IMF lending window, the New Arrangements to Borrow (NAB), to the quota, or

general fund. U.S. Congressional approval is critical in that failure to approve the U.S. portion of the quota deal prevents the entire package from moving forward.

Expanding the size of the IMF will ensure the IMF has adequate resources to play its central role in helping to resolve and prevent the spread of international economic and financial crises, and we strongly support U.S. approval of the quota package. It is worth noting that this quota package will restore the primary role of quotas in IMF financing, where the U.S. has the largest say. This includes the power to veto decisions that require the support of members holding 85 percent of the voting power, as well as the U.S. retaining its seat on the 24-member IMF Executive Board.

Failure to act will force the IMF to rely increasingly on bilateral resources borrowed from other countries such as China, which then increases the influence of these countries in ways that may not be shared by the U.S.

HAITI

We continue to be concerned about the dire situation facing the people of Haiti. We strongly support the Inter-American Development Bank's annual transfer of net income to the Haiti grant facility. We support efforts aimed at helping Haiti remain free of multilateral debt as well as build a capacity to manage future bilateral debt, including institutional capacity and debt management systems. We urge the Administration to work with our multilateral partners to assure that aid is better coordinated and prioritized in Haiti, with strengthened systems of accountability and oversight. We support the efforts of the World Bank and the Inter-American Development Bank to balance reconstruction needs with long-term economic development. In addition to reconstruction work focusing on housing and access to electricity, we urge the multilateral development institutions to support government efforts to reconstruct critical infrastructure, promote inclusive growth, build human capital and strengthen governance and accountability.

Views & Estimates – Committee on Financial Services re: Budget for FY 2015