

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

February 8, 2016

**HAND-DELIVERED**

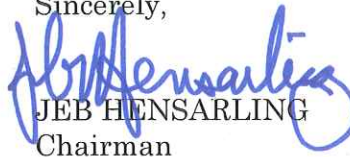
The Honorable Tom Price  
Chairman, House Committee on the Budget  
207 Cannon House Office Building  
Washington, DC 20515

Dear Chairman Price:

Enclosed herewith please find the Budget 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 2017, which was adopted by the Committee on February 3, 2016, together with minority and additional views.

Should your staff have any questions or need additional information, please contact Ed Skala of the Committee staff at (202) 225-7502.

Sincerely,

  
JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters,  
Ranking Member

## **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 2017**

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget 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 2017 (FY17).

### **OUR NATION'S FISCAL CHALLENGE**

1  
2  
3 America is on a collision course with a fiscal crisis that will result in national insolvency,  
4 unless Congress and the President work together to get government spending under  
5 control. Yet since President Obama took office, a record \$8.3 trillion has been added to our  
6 nation's debt, solely because Washington continues to spend money that we do not have.  
7 According to the Congressional Budget Office's (CBO) latest estimates, over the next decade  
8 the federal government will run a \$9.4 trillion deficit; in fact, the nominal deficit will rise  
9 for the first time after six straight years of falling from its record peak dubiously achieved  
10 by President Obama and a Democrat-led Congress in 2009. Even if current law were to  
11 remain as it is today, CBO estimates that beyond the next 10 years, "the pressures that had  
12 contributed to rising deficits during the baseline period would accelerate and push debt up  
13 even more sharply." That is unacceptable, unsustainable, and it will condemn Americans  
14 to a future of fewer opportunities, less economic freedom, and a lower standard of living.  
15

16 Contrary to the self-congratulatory tone of President Obama's recent State of the Union  
17 address, the truth is the American people are stuck in the slowest economic recovery of the  
18 last 70 years. Too many are still out of work; many of those who are fortunate to be  
19 employed are struggling with smaller paychecks. In fact, no modern presidency has been  
20 worse for average Americans' incomes. After seven years of failed economic policies,  
21 middle-income families are actually earning less than they did in 2009, 13 million more  
22 Americans have become dependent on food stamps, and almost seven million Americans  
23 have fallen into poverty. It is not surprising, then, that despite President Obama's rhetoric,  
24 the reality is that Americans are pessimistic and anxious not only about the state of the  
25 national economy but also their own personal economy.  
26

27 Yet instead of trying to work with Congress to rein in spending and put our nation onto a  
28 sustainable fiscal path, President Obama's idea of fiscal responsibility has been to simply  
29 call for more spending and higher taxes that grows Washington's economy at the expense of  
30 the Main Street economy. Ending this culture of profligate spending – and the routine of  
31 blithely passing the bill for it on to our children – represents our nation's fiscal challenge,  
32 and combatting it is our moral responsibility.

1  
2  
3 **THE DODD-FRANK ACT**  
4

5 **Regulatory Reform**

6 The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), signed  
7 into law on July 21, 2010, was the most sweeping overhaul of the regulatory structure of  
8 our financial system in more than a generation. The Dodd-Frank Act made significant  
9 changes to the federal regulatory regime covering banking, securities, insurance,  
10 mortgages, systemic risk, and consumer protection, and mandated upwards of 400 separate  
11 rulemakings, most of which missed their statutory deadlines for completion and many of  
12 which have yet to be finalized.

13  
14 Funding Level: N.A.  
15

16 Committee's View: The Committee remains gravely concerned that the Dodd-Frank Act  
17 has failed to achieve its proponents' stated goals of promoting the financial stability of the  
18 United States, ending "too big to fail" and taxpayer bailouts, and protecting consumers from  
19 abusive financial services practices. Instead, the Committee believes that the Dodd-Frank  
20 Act has endangered taxpayers and our economy by enshrining "too big to fail" in statute,  
21 creating endless new regulatory mandates from Washington that have resulted in fewer  
22 and more expensive choices for consumers and small businesses, increased moral hazard in  
23 markets by failing to address the true causes of the financial crisis, and hampered economic  
24 growth. The Committee intends to advance legislative proposals to replace the failed  
25 aspects of the Dodd-Frank Act with free-market alternatives that end bailouts once-and-for-  
26 all, restore market discipline, ensure that the financial system is more resilient, pare back  
27 unnecessary and burdensome regulations, encourage capital formation and economic  
28 growth, and protect consumers by preserving financial independence and consumer choice.  
29

30 **Orderly Liquidation Authority**

31 The Orderly Liquidation Authority, established under Title II of the Dodd-Frank Act, gives  
32 the Federal Deposit Insurance Corporation (FDIC) the authority to resolve non-bank  
33 financial institutions whose failure government officials believe might pose a threat to the  
34 financial stability of the United States.  
35

36 Funding Level: N.A.  
37

38 Committee's View: The Committee continues to have strong objections to the Dodd-Frank  
39 Act's Orderly Liquidation Authority and the proposed manner in which such authority  
40 would be implemented. Specifically, the Committee rejects the notion that taxpayers are  
41 protected from future bailouts by the Orderly Liquidation Authority, under which the FDIC  
42 may borrow from the Treasury to capitalize an "Orderly Liquidation Fund" to be used to

1 pay off the creditors of a failed firm. The Committee believes the Orderly Liquidation  
2 Authority thus perpetuates the government guarantee enjoyed by creditors during the  
3 recent financial crisis, which entrenched the “too big to fail” problem and placed taxpayers  
4 on the hook for multi-billion dollar bailouts of large financial institutions. Accordingly, the  
5 Committee supports replacing the Orderly Liquidation Authority with established  
6 bankruptcy procedures, wherein shareholder and creditor claims are resolved pursuant to  
7 the rule of law rather than the arbitrary discretion of regulators. Although the proponents  
8 of the Orderly Liquidation Authority point to provisions in Title II which authorize the  
9 FDIC to recoup costs from large financial institutions through *post hoc* assessments, CBO  
10 has previously estimated that repealing Title II would achieve savings of \$22 billion  
11 between fiscal years 2012 and 2022.

### 12 13 **Office of Financial Research**

14 The Office of Financial Research (OFR), established under Title I of the Dodd-Frank Act, is  
15 an office housed within the Treasury Department that supports the Financial Stability  
16 Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and  
17 emerging threats to the financial stability of the United States. Thus, the OFR collects  
18 information and standardizes data for the FSOC and other financial regulatory agencies,  
19 performs applied and long-term research, and develops tools for risk measurement and  
20 monitoring.

21  
22 **Funding Level:** The OFR is funded outside of the appropriations process through  
23 assessments levied on large financial companies. According to its 2014 Annual Report, the  
24 OFR’s estimated FY15 budget was \$99.5 million. The President’s Budget for FY16  
25 anticipated that OFR would incur obligations of \$127 million for FY16, while noting that  
26 the OFR estimated significant unobligated balances of \$83 million for FY15 and \$92 million  
27 for FY16.

28  
29 **Committee’s View:** The Committee remains concerned about the scope and potential for  
30 misuse of the OFR’s powers as well as Congress’s limited oversight of the OFR and its  
31 funding. Thus, the Committee will continue to pursue proposals to promote greater  
32 accountability and taxpayer transparency for the OFR, including proposals to subject its  
33 funding to the Congressional appropriations process. In 2015, the Committee favorably  
34 reported H.R. 3340, the Financial Stability Oversight Council Reform Act, which would  
35 subject the OFR to a hybrid annual appropriations process under which it would collect  
36 assessments to pay for expenses following congressional approval of the OFR’s budget. The  
37 Committee also commends the inclusion of language in the FY16 Consolidated  
38 Appropriations Act (P.L. 114-113) requiring the OFR to submit quarterly reports to the  
39 Committee regarding its activities and budget and providing the Committee with the  
40 opportunity to obtain the OFR’s testimony on these reports

1  
2 The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the  
3 Dodd-Frank Act to regulate providers of credit and other consumer financial products and  
4 services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that  
5 includes consumer protection functions transferred from seven different federal agencies,  
6 and the authority to write rules, supervise compliance, and enforce all consumer protection  
7 laws and regulations other than those governing investment products regulated by the  
8 Securities and Exchange Commission or the Commodity Futures Trading Commission. The  
9 Bureau has a dedicated Office to protect military men and women. The Committee  
10 commends the Bureau and its Office of Service Member Affairs for fast and effective work  
11 identifying abuses of military members and their families and in legal action and education  
12 to protect those Americans who protect this country.

13  
14 Funding Level: The CFPB does not receive appropriations; instead, it draws its funding  
15 from a defined portion of the combined earnings of the Federal Reserve System, adjusted  
16 annually for inflation. For FY16, by statute the CFPB may receive up to \$631.7 million.  
17 The CFPB's budget authority is further enhanced by unobligated balances brought forward  
18 from prior fiscal years.

19  
20 Committee's View: Although established within the Federal Reserve System, the Dodd-  
21 Frank Act makes clear that the CFPB is an "independent bureau" and assigns no role to  
22 Congress or the Federal Reserve System in overseeing its budget or use of funds. The effect  
23 of the CFPB's unorthodox budgetary treatment is that every dollar it draws directly  
24 reduces the Federal Reserve System's annual remittances to the Treasury, thus lowering  
25 the amount by which such remittances may be used to decrease the federal deficit.

26  
27 The Committee continues to believe that the CFPB's structure and funding make it  
28 uniquely unaccountable to the President, the Congress, and the American people. History  
29 shows that agencies shielded from accountability are prone to abuse their authority, and  
30 the CFPB is no exception. Accordingly, the Committee will continue to promote measures  
31 that lead to greater transparency and accountability at the CFPB by considering legislation  
32 to reform the CFPB's operations and structure, including by subjecting the CFPB to  
33 Congressional appropriations. In 2015, the Committee favorably reported H.R. 1266, the  
34 Financial Product Safety Commission Act of 2015, which would replace the CFPB's director  
35 with a bipartisan five-member commission, appointed by the President and confirmed by  
36 the Senate, and urges its swift enactment.

## 37 38 39 **SECURITIES AND EXCHANGE COMMISSION**

40  
41 The Securities and Exchange Commission's (SEC) three-part mission is to protect investors,  
42 maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC

1 staff and its five commissioners guide SEC policy by interpreting the Federal securities  
2 laws, proposing new rules as warranted by market developments or Congressional  
3 mandates, amending existing rules, and overseeing SEC enforcement actions.

4  
5 Funding Level: \$1.605 billion in FY16 appropriations. By law, the SEC is required to fully  
6 offset Congressional appropriations by adjusting its securities transaction fees so that its  
7 funding is deficit-neutral. It also has the authority to carry over unspent funds from the  
8 previous fiscal year; pursuant to this authority, it carried over \$51 million from FY15 to  
9 FY16. The SEC can also spend up to \$50 million in FY16 from its Reserve Fund created  
10 under Section 991 of the Dodd-Frank Act. Combined, the SEC's total spending authority  
11 for FY16 is \$1.706 billion, less than 1 percent below the Administration's FY16 request.

12  
13 Committee's View: The Committee remains concerned that despite receiving significant  
14 annual appropriations increases, the SEC has neither met statutory deadlines for the  
15 issuance of rulemakings nor improved its annual examination rates for investment  
16 advisers. Instead, the SEC has prioritized other objectives that are not central to its  
17 mission. For example, the SEC has expended thousands of man-hours and tens of millions  
18 of dollars in pursuit of Dodd-Frank Act mandates unrelated to the causes of the financial  
19 crisis while its capital formation objectives languish. The Committee rejects the SEC's  
20 assertion, made in connection with its preliminary request to the Office of Management and  
21 Budget (OMB) for \$1.882 billion for FY17, that it is significantly underfunded; the SEC  
22 should instead focus existing resources on fulfilling its three-part mission.

23  
24 Additionally, the Committee continues to be concerned about both the SEC's ability to  
25 carry-over unspent funds and the SEC's Reserve Fund. The Reserve Fund, which is  
26 authorized to carry a balance of up to \$100 million (from which the FY16 Consolidated  
27 Appropriations Act rescinded \$25 million for FY16), is supplemental funding that the SEC  
28 can access without congressional approval; eliminating it would generate significant budget  
29 savings for taxpayers. In 2016, the Committee will also seek to advance legislation to  
30 reform the SEC's operations and structure. For example, in 2015, the Committee favorably  
31 reported H.R. 3868, the Small Business Credit Availability Act, which would modernize the  
32 regulatory regime for business development companies (BDCs). H.R. 3868 would fill a  
33 lending vacuum and provide much-needed credit to small and middle market companies,  
34 thereby generating economic growth.

## 35 36 37 **GOVERNMENT SPONSORED ENTERPRISES**

38  
39 The Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, are  
40 government-chartered public companies that purchase mortgages from lenders and package  
41 them into mortgage-backed securities, which they guarantee and sell off to investors. The

1 GSEs have been in conservatorship under the auspices of their regulator, the Federal  
2 Housing Finance Agency, since their financial collapse in September 2008.

3  
4 Funding Level: N.A.

5  
6 Committee's View: More than seven years have passed since the bursting of the housing  
7 bubble and the GSEs' financial implosion, and the Committee remains extremely concerned  
8 about the continued risk that the GSEs pose to taxpayers, especially through their  
9 expanded activities and the further consolidation of their dominant market share. Despite  
10 recent improvements to their corporate balance sheets, the GSEs' model is inherently  
11 flawed and unsustainable without taxpayer support. Accordingly, the Committee continues  
12 to support legislative initiatives to wind down the GSEs' operations, repeal their charters,  
13 and replace their failed business model with a sustainable, private housing finance system  
14 that protects taxpayers, enhances consumer choice in mortgage financing, encourages  
15 private sector investment and innovation, and eliminates moral hazard. The CBO has  
16 previously estimated that gradually winding down the GSEs would produce significant  
17 taxpayer savings and decrease direct spending by almost \$6.7 billion over the next ten  
18 years.

19  
20 In the interim, the Committee urges Congress to adopt a realistic budget treatment of the  
21 assets and liabilities of the GSEs. Doing so includes preventing the misuse of the proceeds  
22 of the guarantee fees charged by the GSEs to investors; such funds are an important risk  
23 mitigation tool to better protect the GSEs and taxpayers from future losses, and should not  
24 be diverted to finance unrelated government programs or initiatives. Additionally, the  
25 Committee strongly recommends that OMB move the GSEs to an "on budget" accounting  
26 standard, as CBO has already done, to provide a more transparent accounting of their true  
27 impact on the federal budget.

## 28 29 30 **FEDERAL RESERVE SYSTEM**

31  
32 The Federal Reserve System, which serves as the nation's central bank, was created by  
33 Congress in 1913. It performs several functions in our economy, and its Board of Governors  
34 is responsible for supervising and regulating a variety of financial institutions and  
35 activities, as well as conducting monetary policy pursuant to a statutory mandate to  
36 "maintain long run growth of the monetary and credit aggregates commensurate with the  
37 economy's long run potential to increase production, so as to promote effectively the goals of  
38 maximum employment, stable prices and moderate long-term interest rates."

39  
40 Funding Level: N.A.

41  
42 Committee's View:

1 The Committee remains concerned about the expanded regulatory mission of the Federal  
2 Reserve and the inability of the Board of Governors to articulate clear guidance for how it  
3 plans to conduct monetary policy. Over-reliance on the Federal Reserve to manage  
4 virtually every aspect of the U.S. economy runs the risk of compromising the Fed's  
5 independence and placing taxpayers at greater risk in the event that regulatory failure by  
6 the Federal Reserve contributes to another significant or prolonged economic downturn.  
7 Accordingly, the Committee supports legislation such as H.R. 3189, the Fed Oversight  
8 Reform and Modernization Act of 2015, passed by the House in 2015 to strengthen the  
9 Federal Reserve's ability to achieve monetary policy outcomes consistent with its statutory  
10 mandates, bring more transparency to the Federal Reserve's efforts to achieve those  
11 mandates, and protect the Federal Reserve from undue influence by the Executive Branch  
12 in setting monetary policy. Although CBO has estimated that enacting H.R. 3189 would  
13 reduce revenues by \$109 million over the 2016-2025 period by reducing the Federal  
14 Reserve's remittances to the Treasury, the Committee believes that achieving a more stable  
15 and rules-based monetary policy would yield much larger benefits for taxpayers and our  
16 entire economy.

17

18

19

## OUR OBLIGATION TO THOSE IN NEED

20

21 Current federal housing policy is fractured, costly, and inefficient: the Government  
22 Accountability Office found in 2012 that 20 different federal government entities  
23 administer 160 programs, tax expenditures, and other tools that support homeownership  
24 and rental housing.<sup>1</sup> In particular, the Department of Housing and Urban Development  
25 (HUD) has received approximately \$1.655 trillion in real (2014) dollars in appropriations  
26 over its 50 years of existence and today spends over \$45 billion annually on at least 85  
27 active programs. Nevertheless, the national poverty rate has remained essentially  
28 unchanged from 14.7 percent in 1966 to 14.8 percent in 2014.<sup>2</sup>

29

30 Funding Level: \$42.842 billion in 2014 budget authority under OMB's Subfunction 604:  
31 Housing Assistance designation

32

33 Committee's View: For all its good intentions, the federal government's public policy  
34 response to the very real housing needs of low and middle-income Americans has fallen far  
35 short of success. Federal housing programs and policy are failing to keep pace with housing  
36 need because they are not designed to address the root *cause* of housing need: the  
37 underlying problem of generational poverty. It is simply insufficient to provide limited

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<sup>1</sup> 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).

<sup>2</sup> Census Bureau, "Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2014" (March 2015), available at <http://www.census.gov/hhes/www/poverty/data/historical/hstpov2.xls>



1 subsidy dollars to those trapped in poverty and claim success for either the beneficiary of  
2 such assistance or the taxpayers that have been asked to continue funding such efforts.

3  
4 Accordingly, the Committee believes we must reform and innovate how we provide  
5 assistance for housing in the 21<sup>st</sup> century with a higher purpose than simply perpetuating  
6 programs that ultimately warehouse and marginalize poor families and communities;  
7 otherwise, this country will continue to fail the very people who are in the most need. In  
8 2016 and beyond the Committee intends to consider transformative legislation to develop  
9 new strategies to address housing need that are premised on fighting the root causes of  
10 poverty and maximizing individual choice. The Committee will investigate more efficient  
11 ways to deliver housing assistance within existing budget limitations with the goals of  
12 helping people move from poverty to self-sufficiency, reforming HUD's mission and  
13 streamlining its complex bureaucratic web of programs, and developing meaningful  
14 innovations to assist communities and neighborhoods in spreading economic prosperity to  
15 all. Additionally, the Committee believes we must evaluate public policies not by the good  
16 intentions of their proponents but by the results they produce, and will work to develop  
17 more meaningful metrics for programmatic success based on how many people are  
18 graduated from federal assistance to economically self-sufficient lives.

19  
20  
21 **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

22  
23 **Mission and Modernization**

24 Established in 1965, HUD is a cabinet-level agency that has principal responsibility for  
25 implementing and overseeing federal housing assistance programs. HUD administers a  
26 wide variety of programs, such as rental assistance programs for lower-income families, the  
27 Federal Housing Administration's (FHA) mortgage insurance programs, the Government  
28 National Mortgage Association's (Ginnie Mae) mortgage-backed securities program, fair  
29 housing programs, and programs that aid community and neighborhood development and  
30 preservation.

31  
32 **Funding Level:** \$47 billion in FY16 budget authority (This total does not include offsetting  
33 receipts from FHA and Ginnie Mae, which lowered the congressionally appropriated cost  
34 for funding HUD by roughly \$8 billion in FY16.)

35  
36 **Committee's View:** Despite more than \$1.655 trillion in total lifetime appropriations, HUD  
37 remains overly bureaucratic, fails to set priorities that define its mission, and does not  
38 deliver measurable results. HUD retains 7,812 full-time employees across several  
39 departments. The need for such a substantial workforce is not apparent in light of the fact  
40 that nearly 80 percent of HUD's budget remains dedicated to administering three core  
41 rental assistance programs – Tenant-Based Section 8, Project-Based Section 8 and Public  
42 Housing – and because most HUD programs are renewal or formula-based. In fact, the

1 Congressional Research Service has estimated that 95 percent of HUD’s FY15 discretionary  
2 budget of \$45.3 billion was devoted to renewing contracts or providing grants through  
3 existing formulae. HUD is also plagued by inefficient, outmoded programs and an inability  
4 to spend appropriated funds in a timely manner, which results in huge backlogs of  
5 unexpended taxpayer funds while the real needs of constituents go unmet.  
6

7 The Committee believes that HUD is in need of an organizational overhaul and a  
8 modernized mission to fight the root causes of poverty. HUD should be restructured to  
9 optimize the alignment of its various divisions and consolidate overlapping and duplicative  
10 programs, as well as to ensure the efficient utilization of its human capital. Such reforms  
11 would both result in greater budget savings for taxpayers and allow for assistance to be  
12 targeted to individuals with the most acute need.  
13

14 **Section 8 Housing Assistance**

15 The Section 8 program provides housing assistance to over three million low-income  
16 families and individuals each year through two elements: tenant-based rental assistance  
17 and project-based rental assistance. Tenant-based rental assistance vouchers are portable  
18 subsidies that low-income individuals can use to offset part of their rent in the private  
19 market with any participating housing provider. By contrast, project-based rental  
20 assistance is a subsidy attached to a unit of privately-owned housing that houses low-  
21 income tenants; if the family moves, the subsidy remains with the unit of housing.  
22

23 **Funding Level:** \$19.628 billion in FY16 appropriations for tenant-based Section 8  
24 assistance and \$10.622 billion in FY16 appropriations for project-based Section 8 assistance  
25

26 **Committee's View:** While changes to the voucher funding formula over the last decade have  
27 increased voucher usage and efficiency, comprehensive reform is still needed. The  
28 Committee believes that the public is better served not by expanding Section 8 but by  
29 reforming the program to target need so that public housing authorities can serve more  
30 people within existing funding levels. In 2016, the Committee will continue to consider  
31 reforms to Section 8 and other assisted housing programs, including those contained within  
32 H.R. 3700, the Housing Opportunity through Reform Act, in order to identify and  
33 implement more efficient uses of taxpayer funds and to better help individuals achieve  
34 greater self-sufficiency wherever possible.  
35

36 **Public Housing**

37 Public housing is an affordable rental housing program that is administered by HUD in  
38 conjunction with local-level public housing authorities, which are under contract to HUD  
39 and own and manage public housing properties. HUD funds the roughly 1.2 million unit  
40 program through two formula grants—the Public Housing Capital Fund and the Public  
41 Housing Operating Fund.  
42

1 Funding Level: \$6.275 billion in FY16 appropriations

2  
3 Committee's View: Over the past two decades, despite the investment of tens of billions of  
4 dollars in the development and maintenance of public housing units, the quality of such  
5 units continues to deteriorate. The Committee recognizes that this trend is not sustainable  
6 and that new approaches to public housing are necessary, including the implementation of  
7 alternative means to finance affordable housing development. To make more capital  
8 available to maintain and rehabilitate public housing, the Committee continues to support  
9 the concept of the Rental Assistance Demonstration (RAD) program. RAD permits public  
10 housing authorities to partner with local developers, property owners, and nonprofit  
11 organizations to preserve affordable housing units that would otherwise fall into disrepair,  
12 become uninhabitable, and eventually leave the affordable housing stock. When  
13 implemented properly, RAD could streamline HUD's rental assistance programs, increase  
14 resident choice, and improve resident mobility.

15  
16 **Native American Housing**

17 Federal grant and loan guarantee funding for housing assistance to Native American tribes  
18 is primarily provided through the Native American Housing and Self-Determination Act  
19 (NAHASDA).

20  
21 Funding Level: \$650 million in FY16 appropriations

22  
23 Committee's View: In 2015, the House passed H.R. 360, the Native American Housing  
24 Assistance and Self-Determination Reauthorization Act of 2015, which, if enacted into law,  
25 would strengthen taxpayer protections and tribal accountability within NAHASDA. H.R.  
26 360 would give HUD the authority to recoup unexpended funds, allow tribes to pursue  
27 alternative funding sources by encouraging private investment, and provide Native  
28 American tribal governments with greater efficiencies when deploying NAHASDA funds.  
29 In the 113<sup>th</sup> Congress, CBO estimated that legislation similar to H.R. 360 would not  
30 increase direct spending or revenues. The Committee continues to support the goals of H.R.  
31 360, and urges its swift enactment in 2016.

32  
33 **Rural Housing**

34 The Rural Housing Service (RHS) is a federal agency housed in the Department of  
35 Agriculture that provides direct loans, guaranteed loans, and grants to help low-to-  
36 moderate income families obtain affordable housing in rural areas.

37  
38 Funding Level: \$25.148 billion in FY16 total loan authorizations, including:

- 39 • Section 502 Single Family Guaranteed Loans: \$24 billion in FY16 loan authorizations  
40 • Section 502 Single Family Direct Loans: \$900 million in FY16 loan authorizations  
41 • Section 521 Rental Assistance: \$1.39 billion in FY16 loan authorizations  
42 • Section 538 Multifamily Guaranteed Loans: \$150 million in FY16 loan authorizations

- 1 • Section 515 Multifamily Direct Loans: \$28.4 million in FY16 loan authorizations
- 2 • Section 542 Rural Voucher Assistance: \$15 million in FY16 loan authorizations

3  
4 Committee's View: The Committee continues to monitor the RHS's stewardship of its  
5 multifamily lending initiatives, especially the increasingly problematic interplay between  
6 its Section 515 loan program to finance the construction of affordable multifamily housing  
7 and its Section 521 Rental Assistance Grant Program under which owners may reduce the  
8 rent burdens of tenants in such housing. Due to loan maturation and RHS's  
9 mismanagement of its Section 515 portfolio, some lower-income tenants are now losing the  
10 benefit of Section 521 rental assistance grants formerly made to their property's owner. As  
11 a result, as many as 800 multifamily properties in FY16 ended up without sufficient rental  
12 assistance to complete the fiscal year, creating a significant rental shortfall for which RHS  
13 failed to budget; Congress was forced to address the shortfall in the FY16 Consolidated  
14 Appropriations Act. An increasing number of Section 515 loans will soon reach maturity;  
15 the Committee is concerned that the RHS may not be capable of managing the risks  
16 associated with its multifamily lending initiatives and that the RHS will again experience a  
17 rental assistance shortfall. Thus, the Committee intends to explore new ways to incentivize  
18 private capital to develop affordable and workforce housing in rural areas to help avoid any  
19 new funding crises with the RHS.

20  
21 Rural communities across our nation face a magnitude of challenges that are unique as  
22 compared to those faced by urban areas.

23  
24 Rural communities are four times more likely than urban areas to have at least 20% of  
25 their population living in poverty. To make matters worse, poverty in rural areas tends to  
26 be more persistent than in urban areas. For example, more than 88% of the nation's  
27 "persistently poor" counties – defined as having at least a 20% poverty rate at each of the  
28 last four U.S. Censuses – are rural.

29  
30 Residents living in rural communities have less access to the myriad of basic services and  
31 resources that exist in urban areas. First, rural areas have limited access to educational  
32 and employment opportunities, which contribute to lower incomes and higher poverty rates.  
33 Second, rural areas have less access to basic city services including public works, and social  
34 services – resources that are necessary for the economic health and well-being of a  
35 community. Third, rural communities have less access to decent and affordable housing, as  
36 well as access to affordable credit. Consequently, far too many rural families live in housing  
37 that is unaffordable, in substandard condition or both. According to U.S. Census data,  
38 approximately 1.5 million rural homes, or about 5.9%, are in substandard condition.

39  
40 Access to safe, decent, and affordable housing can transform lives. The federal government  
41 plays a critical role in expanding homeownership and providing opportunity for our rural  
42 communities. The Committee will be working diligently to ensure that moving forward, the

1 USDA's Rural Development Agency and Rural Housing Service make a dedicated  
2 commitment to ensuring the prudent stewardship and efficient administration of rural  
3 development and housing programs.

## 6 FEDERAL HOUSING ADMINISTRATION

7  
8 The FHA is an agency within HUD that insures private mortgage lenders against the risk  
9 that borrowers might default on single-family or multi-family mortgages.

10  
11 Funding Level: \$400 billion in FY16 single-family loan commitment authority

12  
13 Committee's View: While noting that on November 16, 2015, the FHA achieved its 2  
14 percent statutorily-required capital reserve ratio after violating the law for seven years, the  
15 Committee remains concerned about FHA's expanded footprint in the marketplace and  
16 more than \$1 trillion in mortgage credit risk. In fact, were it not for the FHA's volatile  
17 reverse mortgage program, the FHA single-family loan portfolio would still be below the  
18 required 2 percent threshold. For years, the Committee has cautioned the FHA about  
19 attempting to grow its way out of its budget shortfalls instead of strengthening its  
20 underwriting and capital requirements. To better protect taxpayers, the Committee will  
21 continue to review the FHA's activities and consider various proposals to give the FHA a  
22 more clearly defined mission in a sustainable housing finance system that complements,  
23 not crowds out, a robust private mortgage market.

## 24 25 26 NATIONAL FLOOD INSURANCE PROGRAM

27  
28 Created by Congress in 1968, the National Flood Insurance Program (NFIP) provides  
29 federally-backstopped flood insurance to 5.3 million policyholders and over \$1.3 trillion in  
30 insurance coverage. Currently, the NFIP has an outstanding debt of \$23 billion borrowed  
31 from taxpayers, with \$7.425 billion remaining of its total temporary \$30.425 billion  
32 Treasury borrowing authority.

33  
34 Funding Level: N.A.

35  
36 Committee's View: The Committee remains greatly concerned that there is little to no  
37 private sector alternative to the NFIP, exposing taxpayers to virtually all of the nation's  
38 insured flood risk. In 1968, Congress recognized that the inherent challenges of managing  
39 flood risk were too great for the private sector and that no viable private sector insurance  
40 alternative existed. But 47 years later, given the dynamics of the market and the  
41 information now available, the Committee believes the biggest impediment to the  
42 development of a private flood insurance market is the subsidized monopoly of the NFIP.

1 The Committee will explore legislative initiatives to facilitate the establishment of a private  
2 flood insurance market that serves the needs of all Americans and reduces the significant  
3 financial risk faced by taxpayers.

## 6 EXPORT-IMPORT BANK

7  
8 The Export-Import Bank is an independent agency that provides taxpayer-backed export  
9 financing through various loan, guarantee, and insurance programs.

10  
11 Funding Level: \$106.25 million in FY16 appropriations for administrative expenses and \$6  
12 million in FY16 appropriations for the Office of Inspector General

13  
14 Committee's View: Given the Export-Import Bank's recent reauthorization through  
15 September 30, 2019, the Committee will continue to conduct rigorous oversight of the  
16 Bank's operations and governance to protect taxpayers from risk associated with the Bank's  
17 operations, ensure the Bank complements rather than supplants the private market, and  
18 eliminate waste, fraud, and abuse within or affecting the Bank. Additionally, the  
19 Committee remains concerned that the application of government accounting standards  
20 under the Federal Credit Reform Act fails to fully account for the risks borne by the Export-  
21 Import Bank and supports the use of a more comprehensive accounting regime to  
22 determine the Export-Import Bank's cost to taxpayers.

## 24 MULTILATERAL DEVELOPMENT BANKS

25  
26  
27 The multilateral development banks (MDBs) provide concessional lending and grants to the  
28 world's poorest countries and engage in non-concessional lending to low and middle-income  
29 creditworthy countries.

### 30 Funding Level:

- 31 • International Development Association: \$1.20 billion in FY16 appropriations
- 32 • International Bank for Reconstruction and Development: \$186.96 million in FY16  
33 appropriations
- 34 • Inter-American Development Bank: \$102.02 million in FY16 appropriations
- 35 • Asian Development Bank (includes Asian Development Fund): \$110.59 million in FY16  
36 appropriations
- 37 • African Development Bank (includes African Development Fund): \$209.79 million in  
38 FY16 appropriations
- 39

40  
41 Committee's View: In the past, the U.S. has determined the level of its support to MDBs  
42 through pledges made by the Treasury Department on behalf of the U.S. to international

1 organizations, which are subsequently considered and funded by Congress through the  
2 appropriations process. The Committee notes that, relative to Congress's willingness to  
3 appropriate funds in support of the MDBs, the Administration has previously over-  
4 committed the United States in pledges to such entities. Therefore, the Committee  
5 recommends that the Administration refrain from making commitments that the U.S. is  
6 not prepared to honor. The Committee urges Treasury to strongly advocate that  
7 governments receiving assistance from the MDBs refrain from human rights abuses and  
8 corrupt activities as a condition of continued funding. The Committee also believes that the  
9 MDBs should undertake rigorous program evaluations to ensure that U.S. taxpayer  
10 contributions are not squandered on ineffective initiatives.

### 11 12 13 **INTERNATIONAL MONETARY FUND**

14  
15 The International Monetary Fund (IMF) seeks to ensure the stability of the international  
16 monetary system and provides loans to countries that are experiencing actual or potential  
17 balance of payment problems. The IMF also provides technical assistance to low- and  
18 middle-income countries intended to help such countries effectively manage their financial  
19 affairs.

20  
21 Funding Level: Increase of U.S. quota in an amount equal to 40,871,800,000 Special  
22 Drawing Rights. (Congress also rescinded an equivalent amount from the IMF's "New  
23 Arrangements to Borrow" program, which is a set of credit arrangements between the IMF  
24 and certain member countries used to supplement IMF quota resources for lending  
25 purposes.)

26  
27 Committee's View: The Committee will monitor the operations of the IMF's lending  
28 programs to ensure that Treasury is managing risk effectively and securing the timely  
29 repayment of taxpayer funds. The Committee urges the Administration to advocate for  
30 greater fiscal discipline and budget transparency in countries borrowing from the IMF.

### 31 32 33 **FIGHTING THE FUNDING OF TERRORISM**

34  
35 The Office of Terrorism and Financial Intelligence (OTFI) coordinates the Treasury  
36 Department's efforts to stop the financing of terrorism, money laundering, and similar  
37 financial crimes, principally through its Office of Foreign Assets Control (OFAC) and the  
38 Financial Crimes Enforcement Network (FinCEN). As part of OTFI, OFAC administers  
39 U.S. sanctions against drug traffickers, human rights abusers, and rogue nations, while  
40 FinCEN receives, analyzes, and makes available to law enforcement data reported by  
41 financial institutions on activities that potentially indicate violations of the law.

1 Funding Level: OTFI received \$117 million in FY16 appropriations and FinCEN received  
2 \$113 million in FY16 appropriations  
3

4 Committee's View: The Committee appreciates the importance of greater diligence in  
5 fighting the funding of terrorism and other financial crimes in a global, increasingly digital  
6 banking system. That is why the Committee empaneled its bipartisan Task Force to  
7 Investigate Terrorism Financing in 2015, and again in 2016, to review the tools and policies  
8 currently in place to spot and block the illegal flow of funds. Similarly, the effective use of  
9 international financial sanctions remains an important tool for conducting diplomacy and  
10 combating drug smuggling and human rights violations. Thus, the Committee supports  
11 responsible efforts to enhance FinCEN's ability to meet the new challenges posed by the  
12 growth of threats like ISIS, modernize the technology upon which OFAC relies, and enable  
13 both agencies to hire and retain qualified analysts in a competitive workforce environment.  
14 Additionally, the Committee believes that funding for the OTFI and OFAC should be split  
15 off as separate accounts similar to FinCEN's, and hopes to work with the Committee on  
16 Appropriations to enhance transparency on the government's efforts to fight the  
17 international funding of illegal activity.  
18  
19

#### 20 **U.S. DEPARTMENT OF TREASURY**

21  
22 Last year, this Committee created the bipartisan, "Task Force to Investigate  
23 Terrorism Financing" as part of a commitment to disrupt terrorist forces and thus  
24 prevent them from financing attacks on the United States and abroad. Moving  
25 forward, as part of that effort, this Committee fully supports the critically  
26 important job the U.S. Department of Treasury's Office of Technical Assistance does  
27 in building capacity in public finance ministries and central banks in developing  
28 and transitioning countries to strengthen their public finances and safeguard their  
29 financial sectors.  
30

31 Efforts by the Office of Technical Assistance help strengthen ministries of finance,  
32 create more effective tax policies, develop means of public finance and government  
33 debt management, and assist with the development of anti-money laundering and  
34 counter terrorist financing regimes around the world. A government that builds  
35 effective public financial institutions and maintains effective oversight of private  
36 institutions can become a valuable partner in the global effort to combat terrorist  
37 financing.  
38



1 This Committee fully supports the Treasury Department's Office of Technical  
2 Assistance and its mission in helping developing and transitioning nations establish  
3 the building blocks of a modern market economy.

## 4 5 6 **ENSURING ECONOMIC OPPORTUNITY FOR ALL** 7

8 Federal agencies have undertaken several initiatives to promote greater economic  
9 opportunity within the financial services sphere, including pursuant to Section 342 of the  
10 Dodd-Frank Act, which established Offices of Minority and Women Inclusion (OMWI)  
11 within various federal regulators.

12  
13 Funding Level: (varied)

14  
15 Committee's View: The Financial Services Committee maintains an active interest in  
16 promoting economic opportunity and increased participation for under-represented  
17 populations in the financial services sphere, on both the workforce and supplier sides. The  
18 Committee supports appropriate levels of funding for OMWI and other oversight efforts to  
19 root out illegal discrimination, including discrimination that has been documented within  
20 federal financial regulatory bureaus and agencies.

## 21 22 **Minority Views** 23

24 **The following represent the views of the Democratic Members of the**  
25 **Committee on the following issues consistent with the Concurrent**  
26 **Resolution on the Budget for Fiscal Year 2017.**

27  
28 **February 2, 2016**  
29

30 In the face of significant global headwinds, and too-little cooperation from the  
31 Majority in Congress, the American economy under the Obama Administration  
32 continues to make significant progress. Indeed, for 70 consecutive months of the  
33 Obama Administration, 14.1 million private sector jobs have been created. The  
34 unemployment rate has been cut in half from its Great Recession-era peak, and  
35 overall unemployment is now down to about 90 percent of its pre-recession  
36 average. Long-term unemployment is also experiencing dramatic reductions: in  
37 April of 2010, more than 45 percent of the unemployed had been out of work 27  
38 weeks or more; today, that number is around 26 percent.

39  
40 In short, 2014 and 2015 mark the two strongest years of job creation since the close  
41 of the last Democratic Administration, from 1998 to 2000. Meanwhile, the U.S.  
42 Gross Domestic Product, or GDP, has increased 14.2 percent and average home  
43 prices have climbed back to 2007 levels.

1  
2 This progress is all the more historic given the gravity of the problems facing the  
3 U.S. economy in the aftermath of the financial crisis. Let us not forget that the U.S.  
4 economy shed about 820,000 jobs in December of 2008, and the economy lost nearly  
5 \$13 trillion in household wealth in the last seven quarters of President Bush's term.  
6

7 This economic recovery is no accident. There is no denying that this rebound is  
8 largely due to the efforts of the Obama Administration, Democrats in Congress, and  
9 an independent Federal Reserve. We undoubtedly staved off what would have  
10 otherwise been a depression, and helped lay the foundation for a solid economy with  
11 important legislative achievements including the American Recovery and  
12 Reinvestment Act, the Patient Protection and Affordable Care Act, and the Dodd-  
13 Frank Wall Street Reform and Consumer Protection Act.  
14

15 The Majority's views and estimates (Majority's Views) of the budget for fiscal year  
16 (FY) 2017 ignores these achievements. Moreover, it fundamentally misunderstands  
17 how we can work to solve several abiding economic problems: income inequality, the  
18 racial wealth gap, unacceptably high levels of unemployment for minority  
19 communities, and slow wage growth. African-Americans, Latino-Americans, Native  
20 Americans and other historically disadvantaged populations (who had a much  
21 larger proportion of their wealth in homeownership) are still significantly impaired  
22 by the shadow of the foreclosure crisis—in many cases not even close to recouping  
23 their enormous losses. The Pew Research Center has found that the current wealth  
24 gap between African-Americans and whites has reached its highest point in more  
25 than 25 years. The current white-to-Hispanic wealth ratio has reached a level not  
26 seen since 2001. Between 2010 and 2013, while the median wealth of white  
27 households increased nearly 2.5 percent, to around \$140,000 per family, the median  
28 wealth gap of African-American and Hispanic households fell 33 percent and 14  
29 percent, respectively. Meanwhile, income inequality still remains far too acute, and  
30 nominal wages have remained stagnant for far too many workers.  
31

32 While we may all agree that these statistics present a grave challenge, the  
33 Majority's Views do not evidence a serious attempt to solve them. There is no  
34 serious consideration of new ideas to grow the economy, strengthen the middle-  
35 class, or fight poverty. Instead, included in the Majority's Views are the same ideas  
36 of slashing government funding for the poor and vulnerable, consolidating critical  
37 funding streams, or eliminating government programs altogether.  
38

39 Democrats, in contrast, believe that broadly shared prosperity can only be achieved  
40 with new investments, and cannot be accomplished by undercutting the very  
41 programs and policies that undergird the American middle-class and provide lower-  
42 income Americans with opportunity.  
43

1 Indeed, the government plays a crucial role in enabling the private sector to thrive,  
2 middle-class families to feel secure, and lower-income Americans to achieve  
3 economic mobility. This often takes the form of establishing key partnerships with  
4 the private sector, non-profits, and state and local governments. For example, in  
5 the area of housing, the federal government plays a critical role, from ensuring the  
6 continued availability of the affordable, 30-year fixed-rate mortgage, to providing  
7 for safe, decent and affordable housing for our nation's most vulnerable seniors,  
8 disabled persons, and families. In the area of job creation, the Export-Import Bank,  
9 finally reauthorized last year, serves as an essential resource to help American  
10 exporters and workers thrive in the face of an increasingly competitive global  
11 landscape. And in the area of consumer protection, the Consumer Financial  
12 Protection Bureau is creating a level playing field by setting rules-of-the-road for  
13 financial firms that previously operated in the shadows, as well as returning more  
14 than \$11 billion to 25 million Americans who have experienced unfair, deceptive or  
15 abusive practices.

16  
17 These, of course, are just a few of the key examples of agencies and programs within  
18 the Committee's jurisdiction that play an indispensable and integral role in building  
19 a strong economy that works for all Americans. In the face of significant opposition  
20 from the Majority, Democrats on the Committee recognize that important work  
21 remains to be accomplished, and we will continue to support policies that ensure  
22 that growth and opportunity is broadly shared.

23  
24 **THE NEED FOR HUD AND USDA HOUSING PROGRAMS**  
25

26 It is well established that housing serves as a platform for improving a person's  
27 quality of life, from the education and health outcomes of children, to seniors aging  
28 in place. And in order to ensure that all Americans have access to safe, decent, and  
29 affordable housing, Congress should fully fund the U.S. Department of Housing and  
30 Urban Development (HUD) and the U.S. Department of Agriculture's (USDA's)  
31 affordable housing programs.

32  
33 Over the years, our federal housing programs have helped countless families gain  
34 access to decent and affordable housing. However, limited funding continues to  
35 hamper the reach of these programs. For example, according to the Center on  
36 Budget and Policy Priorities, less than one in four families that are eligible for  
37 federal rental assistance receive it.

38  
39 According to HUD's most recent point-in-time (PIT) count, in January 2015 there  
40 were 564,708 people homeless on any given night. HUD's report on "worst case"  
41 housing needs found that there were 7.7 million very low-income, unassisted  
42 families either paying more than half of their monthly income for rent, or living in  
43 severely substandard housing, or both. Further, the Urban Institute concluded that

1 the homeownership rate in the U.S. has been declining since the housing boom, and  
2 will continue to decrease for at least the next 15 years.

3  
4 In the richest country in the world, Democrats find it simply unconscionable that so  
5 many families struggle to access safe, decent and affordable housing. We also  
6 recognize that it is counter to our national economic interest to continue to  
7 underfund federal housing programs and ignore the affordable housing needs of this  
8 country. It is well established that access to affordable rental housing not only helps  
9 families achieve better life outcomes and avoid homelessness, but that it also serves  
10 as an important step towards homeownership, which stimulates the national  
11 housing market. Numerous studies have shown that it is more costly to taxpayers to  
12 allow chronic homelessness to persist, than it is to provide permanent supportive  
13 housing for these individuals. Other studies by the Center for Housing Policy found  
14 that a lack of affordable housing depresses local economies. Further, given that  
15 demographic growth in households will largely be driven by minorities, the Urban  
16 Institute rightly concluded that failing to address the homeownership gap between  
17 whites and minorities will have negative implications for America's housing market.

18  
19 As America continues to recover from the foreclosure crisis, we must renew our  
20 commitment to end homelessness in America, we must seek to ensure that every  
21 household has access to safe, decent and affordable housing, and we must invest in  
22 a long-term strategy that will seek to close the homeownership gap.

### 23 24 **HUD'S FEDERAL HOUSING ADMINISTRATION**

25  
26 The Federal Housing Administration (FHA) helps many first-time homebuyers and  
27 lower income families achieve homeownership by providing access to federally-  
28 backed mortgage insurance. The FHA also promotes long-term stability in the U.S.  
29 housing market by playing a counter-cyclical role in the mortgage insurance  
30 market. For example, during the housing crisis, the FHA stepped in to fill the gap  
31 left by the private sector, helping to keep mortgage credit available. Since then, the  
32 FHA's market share has been receding, and the FHA has taken extraordinary steps  
33 to build back from losses incurred, including: imposing multiple premium  
34 increases, raising down payment requirements for certain borrowers, enhancing  
35 underwriting requirements, and increasing enforcement of FHA-approved lenders.

36  
37 The most recent independent actuarial analysis of the FHA's Mutual Mortgage  
38 Insurance Fund (MMIF) showed that the MMIF has reached and exceeded its  
39 congressionally mandated capital reserve ratio. Despite Republican criticisms that  
40 the FHA's decision to reduce premiums by a relatively small margin in early 2015  
41 was an ill-advised move that would compromise the FHA's already weak financial  
42 condition, this analysis demonstrates that the FHA is in a strong financial position,  
43 and that it has taken an overall prudent approach to fulfilling its mission to help  
44 more Americans achieve homeownership.

1  
2 **HUD'S RENTAL ASSISTANCE PROGRAMS**  
3

4 HUD's rental assistance programs help struggling families, seniors, people with  
5 disabilities, and veterans keep a roof over their heads and make ends meet. Nearly  
6 all households using HUD rental assistance include children or people who are  
7 elderly or disabled. HUD's major rental assistance programs include Public  
8 Housing, the Section 8 Housing Choice Voucher (HCV) program, and Section 8  
9 Project-Based Rental Assistance (PBRA). Rental assistance for Native Americans on  
10 tribal lands is funded through the Indian Housing Block Grant (IHBG). Additional  
11 rental assistance programs at HUD include Section 202 Housing for the Elderly,  
12 Section 811 Housing for Persons with Disabilities, Housing Opportunity for Persons  
13 with AIDS (HOPWA), and several other rental assistance programs. All told, HUD's  
14 rental assistance programs house 10.1 million individuals in roughly 4.6 million  
15 rental units.

16  
17 There is no question that HUD's subsidized rental housing successfully helps  
18 individuals and families achieve better life outcomes. According to the Center on  
19 Budget and Policy Priorities' analysis of data from the 2013 American Community  
20 Survey, rental assistance kept 3.1 million people, including one million children, out  
21 of poverty. Through HUD's rental assistance programs, including public housing,  
22 the HCV program, and the PBRA program, the federal government provides  
23 housing stability to our country's most vulnerable households, allowing them to  
24 have more money in their budget for other necessities like food, medicine, and  
25 childcare.

26  
27 Most importantly, these programs prevent individuals and families from becoming  
28 homeless and help families remain stably housed, leading to better health and  
29 educational outcomes for low-income children. Studies show that stable housing is  
30 essential for children to grow and thrive, and that housing instability detrimentally  
31 impacts children's emotional, cognitive, and physical development, as well as their  
32 academic achievement and future prosperity as adults.

33  
34 In the current rental housing crisis, too many families are burdened with rents that  
35 make up more than 50 percent of their income. HUD's rental assistance programs  
36 that cap tenants' rents at 30 percent of their income, including public housing and  
37 the HCV and PBRA programs, ensure affordability for those families.

38  
39 **HUD'S HOMELESS ASSISTANCE PROGRAMS**  
40

41 HUD's McKinney-Vento Homeless Assistance Grants program is the largest federal  
42 homelessness program, receiving \$2.2 billion in funding in FY2016. These funds  
43 provide state and local governments, public housing authorities, and nonprofit  
44 organizations with funding for housing and supportive services for homeless

1 persons, including outreach, shelter, transitional housing, supportive services,  
2 short- and medium-term rent subsidies, and permanent supportive housing for  
3 people experiencing or at risk of becoming homeless.

4  
5 In 2009, Congressional Democrats spearheaded the passage of the Homeless  
6 Emergency Assistance and Rapid Transition to Housing (HEARTH) Act to mandate  
7 that the Administration develop a national strategic plan to end homelessness, as  
8 well as an overarching strategy for accomplishing these goals. During the Obama  
9 Administration, the U.S. Interagency Council on Homelessness (USICH) put  
10 forward the first-ever Federal strategic plan to prevent and end homelessness in a  
11 report entitled *Opening Doors*. Since its inception in 2010, overall homelessness has  
12 declined nationwide by 11 percent, homelessness among veterans has fallen by 36  
13 percent, chronic homelessness among individuals has fallen by 31 percent, and  
14 homelessness among families with children has fallen by 15 percent.

15  
16 However, according to HUD's most recent point-in-time (PIT) count, in January  
17 2015 there were 564,708 people homeless on any given night. In particular,  
18 homelessness among major cities, which account for 48 percent of all homeless  
19 people in the United States, has increased by 3 percent—an increase most acutely  
20 felt in New York City and Los Angeles. This latest point-in-time count revealed that  
21 more than one in five homeless people was located in either New York City (75,323  
22 people or 14 percent) or Los Angeles (41,174 people or 7 percent). Los Angeles, for  
23 example, saw a staggering 20 percent increase in homelessness from 2014 to 2015.  
24 Further, the number of unsheltered, chronically homeless individuals increased  
25 across the country by 4 percent since 2014 (the first increase since 2011). Los  
26 Angeles has maintained the largest number of chronically homeless individuals  
27 (12,356) among major cities, as well as the largest increase in chronically homeless  
28 individuals since 2014 (up 55 percent). In a country as wealthy as the United  
29 States, this level of deep, unmet need is simply unconscionable.

30  
31 Today, there is a substantial body of research regarding the best approaches for  
32 addressing homelessness, and the taxpayer dollars that we can save by  
33 implementing these proven methods. We have to do more to make sure that all  
34 homeless people have the access to the affordable housing and social services that  
35 they so desperately need. We have to come together to educate each other about  
36 homelessness in our country. We have to have honest conversations about the  
37 challenges we face in working to end homelessness. And we have to stop making  
38 excuses for not taking the steps that we already know will work. The federal  
39 government cannot turn a blind eye; Congress has a responsibility to the people of  
40 this country to provide everyone with a safe, decent, and affordable roof over their  
41 heads.

## 42 43 **HUD'S HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS**

1 HUD's major community development and housing production programs are the  
2 Community Development Block Grant program (CDBG) and the Home Investment  
3 Partnerships (HOME) program. Democrats have, and continue to, oppose the steady  
4 funding cuts that both the CDBG and the HOME programs have experienced over  
5 the past several years. CDBG is formula-based block grant program that provides a  
6 flexible funding source for state and local governments to use towards a range of  
7 housing and community development activities. According to HUD data, over the  
8 past 9 years the program has assisted over 1.2 million low- and moderate-income  
9 persons. Further, every \$1.00 of CDBG funding leverages an additional \$4.07 in  
10 non-CDBG funding.

11  
12 The HOME program is a formula-based block grant to state and local governments,  
13 and it is the largest federal block grant designed exclusively to build affordable  
14 housing for low-income families. As other federal funding for the production of new  
15 affordable housing units has largely dried up in recent years, the HOME program is  
16 of critical importance today. Since 1992, over 1 million units of housing have been  
17 produced with HOME funds. This figure includes nearly 485,000 homes for new  
18 homebuyers, more than 225,000 owner-occupied homes and approximately 450,000  
19 rental units. Further, every \$1.00 of HOME funding leverages an additional \$4.17  
20 in non-HOME funding.

21  
22 The National Housing Trust Fund (HTF), which we expect will be capitalized in  
23 early 2016, is a critical part of the federal government's efforts to address our rental  
24 housing crisis. The HTF is a formula-based block grant that prioritizes the creation  
25 of rental housing for extremely low-income (ELI) households. In fact, the HTF is the  
26 only federal housing program dedicated to producing affordable housing specifically  
27 for ELI households. This is particularly important in light of the serious lack of  
28 affordable and available rental units for ELI households, and the shortage of federal  
29 funding for the production of new affordable housing. The HTF was designed to be  
30 funded by contributions from Fannie Mae and Freddie Mac, but these contributions  
31 were suspended by the previous Director of the Federal Housing Finance Agency  
32 (FHFA) when the two enterprises were put into conservatorship. Democrats  
33 applaud the FHFA's decision to reverse the earlier decision, and expect the first  
34 contribution to be made in March 2016.

35  
36 The CDBG and HOME programs have a proven track record of success and the HTF  
37 will shortly make important contributions to producing more affordable housing.  
38 However, this progress is being threatened and undermined by Republican efforts  
39 to either cut, redirect or otherwise consolidate these funds. Democrats maintain  
40 that these programs have very distinct roles in the federal government's overall  
41 housing strategy and should be separately funded.

## 42 **FAIR HOUSING**

1 Where a family calls home can determine whether or not they have access to quality  
2 schools, health care, reliable transportation, and other resources that can affect a  
3 family's future, and particularly a child's future. Democrats strongly support HUD's  
4 efforts to fight discrimination and enforce the Fair Housing Act. In particular,  
5 Democrats support HUD's final rule, implementing the "affirmatively furthering  
6 fair housing" provision of the Fair Housing Act, as an important tool towards  
7 empowering local communities to do more to promote fair housing and inclusive  
8 communities.

9  
10 HUD's Fair Housing Initiatives Program (FHIP) and Fair Housing Assistance  
11 Program (FHAP) are also very important components of HUD's fair housing efforts.  
12 FHIP is critical to building and sustaining inclusive communities, and it is the only  
13 grant program within the federal government with a primary purpose of supporting  
14 private efforts to educate the public about fair housing rights and conduct private  
15 enforcement of the Fair Housing Act. Further, FHAP is a central component of  
16 HUD's effort to ensure the public's right to housing free from discrimination. FHAP  
17 multiplies HUD's enforcement capabilities, allowing the agency to protect fair  
18 housing rights in an efficient and effective manner.

## 19 **USDA'S RURAL HOUSING PROGRAMS**

20  
21  
22 With a network of more than 400 field offices located in small town and farming  
23 communities, the USDA's Rural Housing Service (RHS) caters to the unique and  
24 specific housing needs of these rural communities and families. These field offices  
25 and local RHS staff, who are familiar with the communities they serve, are  
26 important resources for families in need of affordable rental housing and low-  
27 income homeownership opportunities. Since 2009, RHS has helped more than  
28 900,000 rural families buy, repair, or refinance a home and has provided funding for  
29 more than 3,000 multifamily housing developments.

30  
31 Historically, RHS has coupled loans for multifamily developments with rental  
32 assistance for housing units in those developments. As an increasing number of  
33 these loans are expected to mature in the coming years, many are concerned that  
34 families will be displaced when the rental assistance contracts expire. Democrats  
35 are committed to preserving the affordability of these units, and look forward to  
36 exploring the best path forward. Further, we note that the President's Budget  
37 requests in recent years have requested additional flexibility for RHS in managing  
38 its Rental Assistance program. While we understand the constraints of a limited  
39 budget, Democrats continue to have concerns about the practical effects of these  
40 proposals, and look forward to finding alternative solutions.

41  
42 Lastly, we disagree with Republican claims that HUD and RHS are duplicative, and  
43 should be consolidated. While we agree that RHS and HUD can learn from each  
44 other through inter-agency discussions, we maintain that RHS plays a distinct and



1 critical role in the federal government's housing assistance strategy, as well as in  
2 the housing market overall.

### 3 4 **SECURITIES AND EXCHANGE COMMISSION (SEC)** 5

6 Democrats are increasingly concerned with Republican efforts to severely constrain  
7 the Securities and Exchange Commission's (SEC or the Commission) resources  
8 while the U.S. capital markets it oversees continue to grow at an ever accelerating  
9 rate. Congress needs to fully fund the SEC in FY 2017 so that it can fulfill its  
10 mission to protect investors, to promote capital formation and to ensure that our  
11 markets are fair, efficient, transparent, and competitive. Democrats note that the  
12 SEC's budget is paid for entirely by a small fee levied on securities transactions,  
13 and will in no way increase the government debt.

14  
15 The SEC's important responsibilities to oversee the markets are broad and complex  
16 and need sufficient funding to be successfully executed. Yet, the SEC-regulated  
17 securities markets dwarf Commission resources. Indeed, the Commission oversees  
18 nearly 12,000 investment advisers, over 850 investment company complexes  
19 managing over 9,700 mutual funds and Exchange Traded Funds, approximately  
20 4,400 broker-dealers, over 400 transfer agents, 18 national securities exchanges, 85  
21 alternative trading systems, six active clearing agencies and three exempt clearing  
22 agencies, the security futures product exchanges, the National Futures Association,  
23 the Securities Information Processors, the Public Company Accounting Oversight  
24 Board, the Financial Industry Regulatory Authority, the Municipal Securities  
25 Rulemaking Board, the Securities Investor Protection Corporation, and the  
26 Financial Accounting Standards Board. The SEC also reviews the disclosures and  
27 financial statements of approximately 9,000 public companies.

28  
29 Moreover, the SEC has been implementing key provisions of both the Dodd-Frank  
30 Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) the Jumpstart  
31 Our Business Startups Act (JOBS Act) and the Fixing America's Surface  
32 Transportation Act (FAST Act), which together have added more than 100 new  
33 rulemaking responsibilities for the Commission. While Democrats commend the  
34 Commission's efforts to finalize more than 73 percent of the Dodd-Frank Act  
35 mandatory rulemakings, Democrats expect the remaining rules to be adopted this  
36 year, including: 1) rules harmonizing the fiduciary standard for investment advisers  
37 and broker-dealers when providing investment advice; 2) rules implementing new  
38 compensation disclosures and prohibiting certain compensation arrangements; and  
39 3) rules completing the regulatory regime for securities-based swaps. Although the  
40 SEC has completed its major JOBS Act rulemakings, Democrats expect that the  
41 Commission will use its ample rulemaking authority to bolster protections for  
42 investors against fraud. Democrats commend the Commission's efforts to  
43 expeditiously implement several of the provisions of the FAST Act intended to help  
44 small business capital formation.

1  
2 On a general level, freezing or cutting back the SEC's budget means it will not be  
3 able to make additional hires to strengthen its investigations and enforcement  
4 efforts. To protect investors and preserve the integrity of the markets, the SEC  
5 must keep pace with market developments. For example, over the last decade the  
6 number of registered investment advisers has increased by more than 30 percent,  
7 and the assets under management increased more than two-fold, to almost \$67  
8 trillion. Yet, the resources available to the SEC to examine investment  
9 advisors have severely lagged the number and sophistication of these advisors,  
10 which led to staff only being able to examine 10 percent of investment advisers last  
11 year.

12  
13 In addition, the SEC is responsible for prosecuting violations of the securities laws  
14 and holding violators accountable in cases involving everything from corporate  
15 disclosure violations to complex financial products. SEC enforcement efforts also  
16 must focus on emerging market threats involving new trading technologies such as  
17 high-frequency trading and algorithmic trading, large volume trading, and systemic  
18 insider trading and manipulation schemes. The Committee expects the Commission  
19 to increase its enforcement efforts against trading venues that provide preferential  
20 treatment to certain traders and against traders that engage in abusive and  
21 manipulative practices at the expense of retail and institutional investors. While  
22 the SEC's experience enforcing the rule of law in fiscal year 2015 resulted in  
23 approximately \$4.2 billion in disgorgement and civil penalties, Democrats urge the  
24 Commission to obtain a greater number of admissions of guilt in its enforcement  
25 actions to send a strong signal to the market. In addition, the Commission should  
26 establish a deliberative, public process to carefully consider whether waiving  
27 automatic sanctions for bad actors appropriately deters wrongful conduct, protects  
28 investors, and promotes the integrity of the markets.

29  
30 To complete these and other tasks central to the SEC's mission of protecting  
31 investors, promoting capital formation, and ensuring market stability, Congress  
32 must provide the Commission with sufficient funding. Without it, we risk the  
33 integrity of our markets, the savings of hard-working Americans and the future of  
34 the U.S. economy.

## 35 36 **CONSUMER FINANCIAL PROTECTION BUREAU**

37  
38 The Consumer Financial Protection Bureau (CFPB or the Bureau) was created by  
39 the Dodd-Frank Act to protect consumers from predatory practices and promote fair  
40 and transparent markets for the provision of consumer financial products and  
41 services. The CFPB Director has a broad mandate that includes consumer  
42 protection functions transferred from seven different federal agencies, and the  
43 authority to write rules, supervise compliance, and enforce consumer financial  
44 protection laws. Since the Bureau was established, it has implemented new rules

1 for mortgage markets and prepaid cards, released comprehensive studies on student  
2 lending and mandatory arbitration in consumer contracts, and also successfully  
3 recovered more than \$11 billion for more than 25 million consumers harmed by  
4 predatory and illegal financial practices.

5  
6 The CFPB is housed within the Federal Reserve System (Federal Reserve) but the  
7 Dodd-Frank Act makes clear that the CFPB is autonomous of the Federal Reserve  
8 in carrying out its mission. As is the case with all other banking regulators, the  
9 CFPB's funding is independent of the congressional appropriations process. The  
10 CFPB receives its funding from transfers from the Federal Reserve. The CFPB's  
11 annual budget authority is capped at a percentage of the operating budget of the  
12 Federal Reserve Board.

13  
14 The CFPB's budgetary process allows the Bureau to maintain its political  
15 independence. The Bureau is, however, accountable to congressional oversight, as  
16 evidenced by the Bureau's testifying before the relevant Committees of jurisdiction  
17 55 times since its inception. The Bureau is also required by statute to submit to  
18 Congress a semi-annual report and to make the Director available for a hearing on  
19 that report before the House Financial Services Committee and Senate Banking,  
20 Housing and Urban Affairs Committee.

21  
22 Given the important mission of the CFPB to protect consumers, including minority  
23 populations, students, seniors, and servicemembers, and the expertise required to  
24 monitor and regulate complex financial markets, Democrats expect the CFPB will  
25 adequately fund its operations in FY 2017.

## 26 27 **GOVERNMENT SPONSORED ENTERPRISES**

28  
29 Democrats believe that a robust mortgage market is required for a healthy, growing  
30 middle-class and broad economic growth. The secondary market plays a significant  
31 role in ensuring the health of the financial system, and efforts to reform the market  
32 should: maintain affordable, long-term fixed-rate mortgage products; protect  
33 taxpayers by paying for an explicit government guarantee; provide stability and  
34 liquidity, and prevent disruptions during a transition to a new finance system;  
35 support affordable rental housing, and the multi-family market; and ensure that all  
36 financial institutions can equally participate in the market. Congress should reject  
37 all efforts to reform our housing finance markets that do not meet these key  
38 principles.

39  
40 Democrats are dismayed that Republicans continue to advocate for a completely  
41 privatized housing market. Economists, housing advocates, and industry all agree  
42 that the PATH Act from the 113<sup>th</sup> Congress is harmful legislation. As is apparent  
43 from the Republican's failure to move the PATH Act in the House last term, a  
44 majority of Members of Congress feel the same. The PATH Act failed because it

1 would have ended the affordable, 30-year fixed rate mortgage, making it a product  
2 only available to a tiny subset of lower-income FHA borrowers, or to the richest  
3 households who obtain jumbo loans. The bill removed key protections for investors  
4 but expected them to bear all mortgage credit risk. The PATH Act was also bad for  
5 community banks and credit unions because it severely cut their access to the  
6 capital markets and undermined the FHA. The bill harmed consumers by repealing  
7 existing predatory lending provisions. The bill hurt renters by abolishing the  
8 Affordable Housing Trust Fund, eliminating the government sponsored enterprises'  
9 (GSE) role in multi-family housing, and making the FHA multi-family program an  
10 administrative nightmare. PATH was bad for taxpayers, codifying an implicit  
11 guarantee on our housing market that would have required a future bailout. In  
12 sum, the PATH Act would have been a disaster for the American housing market,  
13 which drives nearly 20 percent of our nation's GDP.

14  
15 Given House Republicans' inability to pass housing finance reform over the nearly  
16 five years they've controlled this chamber of Congress, Democrats applaud the  
17 sound actions taken by the Federal Housing Finance Agency (FHFA) to responsibly  
18 expand access to sustainable homeownership and affordable rental housing, while  
19 still protecting the taxpayer. In fact, the GSEs have returned \$241.2 billion to the  
20 U.S. Treasury and taxpayers, more than \$53.7 billion above and beyond their initial  
21 draw. What's more, the GSEs continue to provide access to affordable housing for  
22 low-income and very-low income families. In 2014, the FHFA determined that  
23 Fannie Mae and Freddie Mac had guaranteed the financing supporting more than  
24 535,000 affordable multifamily rental units to families at or below 80 percent of the  
25 area median income (AMI), of which nearly 110,000 units were for families at or  
26 below 50 percent of the AMI. In addition, of the more than \$584 billion in financing  
27 for single family homes provided by Fannie Mae and Freddie Mac, the GSEs  
28 directed more than 20 percent of their financing to supporting low-income family  
29 home purchases and five percent to very low-income family purchases. Democrats  
30 applaud the role the affordable housing goals have played to expand access to the  
31 American dream of homeownership, and support the FHFA's efforts to ensure that  
32 all of the housing goals will be met in the future.

33  
34 Democrats also approve of the FHFA's decision to permit the GSEs to guarantee 97  
35 percent loan-to-value mortgages, provided that the borrower meets additional  
36 criteria, because it enables a broader pool of eligible borrowers to achieve the dream  
37 of homeownership. Importantly, the FHFA has also determined to fund the  
38 Affordable Housing Trust Fund through a small percentage of the GSEs' profits,  
39 which will help improve the availability and affordability of rental housing.  
40 Democrats expect the FHFA to take additional steps in the coming year to assist  
41 underwater borrowers, who are still struggling as a result of the 2008 financial  
42 crisis, by providing a loan modification or refinancing, which includes principal  
43 reduction.

44

1 Democrats also support FHFA’s effort to fulfil its obligation to preserve a liquid,  
2 competitive and national housing market. Last year, the agency worked to build  
3 and test the operations and architecture of the Common Securitization Platform  
4 (CSP) and issued a proposal for a Single Security to be issued and guaranteed by  
5 Fannie Mae and Freddie Mac. This year, we expect FHFA to launch the first of two  
6 announced stages to complete this project.  
7

8 **FINANCIAL STABILITY OVERSIGHT COUNCIL &**  
9 **OFFICE OF FINANCIAL RESEARCH**

10  
11 The Office of Financial Research (OFR) was created by the Dodd-Frank Act to  
12 support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of  
13 identifying and responding to risks and emerging threats to the financial stability of  
14 this country.  
15

16 In the years leading up to the financial crisis, the regulatory and supervisory  
17 framework failed to keep up with the changes in size, complexity,  
18 interconnectedness, and globalization that created the growing risks to financial  
19 stability. Through its two units, a Data Center and a Research and Analysis  
20 Center, the OFR collects and analyzes detailed financial information from the  
21 financial sector. The OFR then shares this data with the FSOC and member  
22 agencies so that they may deliberate and take the necessary steps in identifying  
23 and mitigating systemic threats to our economy and financial stability. As a result,  
24 for the first time, regulators have the necessary tools to evaluate the stability of the  
25 entire financial system, not just individual institutions.  
26

27 Both FSOC and OFR have grown since their inception and have honed their  
28 capacity to identify threats and craft solutions as needed, and have instituted  
29 additional procedures to promote transparency to the public.  
30

31 The budgets of the OFR and the FSOC do not affect the deficit because they are  
32 offset by a fee imposed on systemically significant financial institutions.  
33 Furthermore, through the OFR’s data collection and the FSOC’s designation  
34 authority, regulators have identified institutions that pose heightened risks to the  
35 economy and succeeded in encouraging some firms to drastically reduce their risk  
36 profiles, protecting taxpayers by making deficits associated with future financial  
37 catastrophes much less likely.  
38

39 **OFFICES OF MINORITY AND WOMEN INCLUSION**

40  
41 As the population in our country becomes increasingly racially and ethnically  
42 diverse, it is critical that the federal financial services agencies have both  
43 designated, well-trained staff and sufficient resources to ensure that they are able  
44 to attract, retain, and promote an inclusive and diverse workforce. A highly-

1 qualified, diverse workforce is not vital simply because it is the right thing to do; it  
2 is necessary for these agencies to operate effectively and understand the financial  
3 needs of, and implement regulations and guidance for, traditionally underserved  
4 communities and populations. One method by which Democrats have attempted to  
5 support such diversity was the enactment of Section 342 of the Dodd-Frank Act.  
6 Section 342 required most of the federal financial agencies to establish Offices of  
7 Minority and Women Inclusion (OMWIs) that, among other things, are responsible  
8 for developing standards for equal employment opportunity and the racial, ethnic,  
9 and gender diversity of the workforce and senior management within each of the  
10 agencies in which they are located.

11  
12 In 2014, Democratic Members of the Oversight and Investigations Subcommittee  
13 sent letters to the Inspectors General (IG) at seven of the federal financial services  
14 agencies. These letters requested that the IGs conduct analyses, and transmit  
15 audit reports back to Congress, regarding whether their respective agencies had  
16 systematically disadvantaged minorities and women from obtaining senior-  
17 management positions. In 2015, these reports were completed and ultimately  
18 demonstrated across-the-board disparities in the hiring and promotion of women  
19 and minorities to senior-management positions as well as with respect to the  
20 performance evaluations of diverse employees.

21  
22 Because the IGs found systemic shortcomings in the agencies' workforce diversity  
23 policies and practices, and because Democrats remain committed to supporting  
24 supplier diversity in the federal agencies as well, we urge the Congress and  
25 agencies to allocate adequate resources to fully implement all of the  
26 recommendations in both the IG audit reports and a subsequent Democratic  
27 Committee staff report. This includes devising and implementing new and creative  
28 ways to recruit, retain, and promote a diverse workforce and increasing  
29 participation of minority-owned and women-owned businesses in the programs and  
30 contracts of the agencies.

31  
32 While many of the agencies have already started implementing positive changes in  
33 these areas, important work remains, because failing to achieve these diversity  
34 objectives risks jeopardizing the agencies' ability to meet operational demands and  
35 equally importantly, to effectively understand the communities, populations and  
36 markets that they are charged with overseeing.

## 37 38 **FEDERAL RESERVE SYSTEM**

39  
40 The Federal Reserve has played an essential role in stabilizing our economy and  
41 reducing unemployment as a result of the 2008 financial crisis. Given its important  
42 role, Democrats are troubled that Republicans so willfully and recklessly pillaged  
43 the Federal Reserve's surplus account – a rainy day fund that promotes confidence  
44 in our central bank – rather than use a sustainable means of funding investment in

1 our nation's infrastructure, such as an increase in the gasoline tax. For  
2 decades, the surplus of the Federal Reserve has served as a buffer for the Federal  
3 Reserve's regional banks when implementing U.S. monetary policy. By  
4 dramatically limiting this critical buffer Republicans have threatened a key tool  
5 that fosters international confidence in our central bank, and promotes the stability  
6 of U.S. currency and our economy. Democrats urge the Majority to refrain from  
7 viewing the Federal Reserve as a piggy-bank to pay for unrelated fiscal programs,  
8 especially as the Federal Reserve embarks on an unprecedented exit from its  
9 historic stimulus program.

10  
11 Despite the Federal Reserve's achievements and the U.S. economy's progress,  
12 Republicans also have continued to mount attacks against the central bank. With  
13 the hopes of containing the crisis and spurring growth, the Federal Reserve grew its  
14 balance sheet in the wake of the financial crisis and subsequently faced calls for  
15 greater transparency in its conduct of monetary policy. Republicans have incorrectly  
16 argued that the Federal Reserve enjoys too much independence and would like to  
17 replace its discretionary policy-making with their own.

18  
19 Critics of the Federal Reserve often confuse transparency and accountability with  
20 independence. The Federal Reserve, like every other central bank in the developed  
21 world, enjoys a unique independence from its legislature. This independence results  
22 in objective, non-political policymaking and a high degree of credibility with  
23 financial markets.

24  
25 Claims that the Federal Reserve is neither transparent nor accountable to Congress  
26 and the American public are disingenuous. The fact is, the GAO has conducted  
27 numerous audits of the Federal Reserve since 1978, both at the direction of  
28 Congress and of its own authority. Since the financial crisis alone, GAO has  
29 conducted more than 70 audits, including two comprehensive audits of the Federal  
30 Reserve's emergency financial crisis lending. The Federal Reserve also discloses a  
31 considerable amount of information about its operations both voluntarily and as  
32 required by statute, including publishing its balance sheet every week, publishing  
33 statements about longer-run goals and monetary policy strategy, as well as its  
34 normalization principles and plans. The Federal Reserve also publishes an annual  
35 report of its open market operations. Moreover Federal Reserve officials frequently  
36 deliver public remarks explaining their views, and Federal Reserve Chair Janet  
37 Yellen conducts regular press conferences at which she explains the FOMC's  
38 outlook on the economy and monetary policy.

## 39 40 **LIVING WILLS**

41  
42 The financial crisis demonstrated that several large, interconnected banks pose an  
43 existential threat to the American financial system. These institutions' size and  
44 complexity forced the government to expend enormous resources to prevent their

1 failures in order to avoid an economic collapse. Firms that are so large and complex  
2 that they cannot be resolved without harming the broader economy are known as  
3 “too-big-to-fail.”

4  
5 To prevent future bailouts of banks and other financial institutions, the Dodd-  
6 Frank Act instructed regulators to limit the risks these firms pose to the economy.  
7 The law requires that large banks and systemically important financial firms  
8 submit to regulators a resolution plan or “living will,” which demonstrates how that  
9 institution could be successfully resolved using existing bankruptcy procedures,  
10 without government funding. If regulators deem the plans insufficient, they can  
11 require firms to raise capital, exit lines of business, or even divest entirely of  
12 complex subsidiaries.

13  
14 This year the Federal Reserve Board of Governors and the Federal Deposit  
15 Insurance Corporation (FDIC) will review the fifth submission of living wills from  
16 the largest banks, which have thus far been deemed insufficient. We believe that  
17 given the consistent failures of large banks to submit credible living wills and the  
18 outstanding threat to the economy posed by these firms, it is past time for the FDIC  
19 and Federal Reserve to use their enhanced authorities to force large, complex firms  
20 to exit risky business lines and reduce their financial footprint.

21  
22 While the Majority's Views claim to be concerned with the lingering challenge of  
23 "too big to fail," and the Chairman has publicly praised the living wills requirement,  
24 the Majority has evidenced no serious attempt to ensure that the largest, most  
25 complex firms are small and simple enough to be resolved through bankruptcy. In  
26 contrast, the Minority is committed to ensuring that large financial institutions can  
27 never again threaten the U.S. economy. As such, if the Federal Reserve fails to  
28 work with the FDIC to address the outstanding deficiencies in large banks' living  
29 wills, the Minority will undertake an aggressive oversight and legislative agenda to  
30 empower the FDIC to act unilaterally to protect taxpayers.

### 31 **ORDERLY LIQUIDATION AUTHORITY**

32  
33  
34 Because not all threats to economic stability can be foreseen, the Dodd-Frank Act  
35 also provides regulators with additional authorities to resolve systemically  
36 important firms in an orderly fashion – known as the Orderly Liquidation Authority  
37 (OLA). Under OLA, if regulators must use government funds to help resolve an  
38 institution in order to prevent contagion or other economic catastrophe, any funds  
39 would be recouped from an assessment on all systemically important institutions at  
40 no cost to the American taxpayer.

41  
42 Although the Congressional Budget Office (CBO) previously estimated that a repeal  
43 of the OLA would reduce the deficit by \$22 billion over ten years, these savings  
44 stem only from the fact that CBO is merely looking at a ten-year period. By



1 selectively citing CBO's estimate, the Majority's Views misleadingly use CBO's  
2 estimate to suggest that regulators would ignore the law and pass on the cost to  
3 taxpayers. However, in the same estimate, CBO states that, "the recoupment of  
4 [resolution] expenses will ultimately equal the expenses, but not within the 10-year  
5 period." Repealing the OLA, as the Majority proposes, would expose the American  
6 economy to additional uncertainty and instability, inviting a crisis whose cost would  
7 likely be an order of magnitude much greater than any fictional savings.

## 8 9 **SUPPORTING SMALL BUSINESS INVESTMENTS**

10  
11 Democrats support increases for the successful State Small Business Credit  
12 Initiative, which Congress created in passing the Small Business Jobs Act. The  
13 Treasury Department has already allocated \$1.5 billion to support state programs  
14 that leverage private capital and support lending to small businesses and  
15 manufacturers. Through the end of 2014, Treasury reported that the initiative  
16 supported \$6.4 billion in private loans or investments to more than 12,400 small  
17 businesses. Small business owners reported that the lending and investments  
18 made possible by the initiative would create more than 48,000 jobs and help retain  
19 over 92,000 jobs that were at risk of loss. In fact, the initial \$1.5 billion in funding  
20 is expected to result in as much as \$15 billion in new lending to small businesses in  
21 participating states. Small businesses are the backbone of the American economy  
22 and Congress should bolster such efforts to increase jobs and promote economic  
23 growth by providing a new authorization of \$1.5 billion.

## 24 25 **NATIONAL FLOOD INSURANCE PROGRAM**

26  
27 Flooding is the number one natural catastrophe in the United States, with  
28 Hurricane Katrina representing the costliest natural disaster in U.S. history. The  
29 National Flood Insurance Program (NFIP) is the principal provider of primary flood  
30 insurance in the U.S., covering over 5 million households and businesses across the  
31 country for a total of over \$1 trillion in flood insurance coverage. The NFIP is  
32 funded primarily through insurance premiums and fees paid by policyholders but  
33 receives appropriations for some flood mapping and mitigation activities. NFIP  
34 premiums and fees generally cover insurance claims, program costs, and operating  
35 expenses. However, by Congressional design, the NFIP is not expected to fund large  
36 catastrophic events through premiums and fees alone; it is expected to borrow from  
37 the Treasury in bad years and return funds to the Treasury in good years. Several  
38 catastrophic events causing extraordinary losses have mired the NFIP in debt. The  
39 current total stands at \$23 billion. The NFIP is unlikely to ever be able to repay this  
40 debt and Congress will need to take action in order to preserve the long-term  
41 sustainability of the program.

42  
43 In March of 2014, Congress passed, and the President signed into law, the  
44 Homeowner Flood Insurance Affordability Act (HFIAA). The law was a critical first

1 step to addressing affordability issues facing thousands of homeowners across our  
2 country due to the unintended consequences of the Biggert-Waters Act. However,  
3 more work remains to be done to solve affordability issues for the long term. As the  
4 Committee begins to consider the reauthorization of the NFIP, which is set to expire  
5 on September 30, 2017, it is imperative that the focus remains on making sure that  
6 flood insurance coverage is affordable and available.

7  
8 There have also been longstanding concerns with the accuracy of the NFIP's flood  
9 maps. Congress must make funding of flood mapping technology a higher priority so  
10 that local communities and individuals no longer bear the heavy burden of  
11 contesting inaccurate flood maps that use outdated technology. Congress should  
12 also invest in mitigation, which saves \$4 for every \$1 spent. By focusing federal  
13 dollars on the front end, the NFIP will face fewer losses on the back end. Finally,  
14 Congress should consider ways to increase the take-up rates both through the NFIP  
15 and the private market.

16  
17 While we know that there is still work to be done, we are optimistic that the  
18 reforms included in HFIAA have put us on the right track to strengthening the  
19 NFIP and protecting families and communities that rely on flood insurance.

## 20 21 **MULTILATERAL DEVELOPMENT BANKS**

22  
23 The multilateral development banks (MDBs), including the World Bank and the  
24 regional development banks, play a leading role in efforts to promote growth and  
25 alleviate poverty around the globe. We believe it is in the national and economic  
26 interest of the U.S. that the MDBs remain strong, credible, and effective, and we  
27 support funding all U.S. commitments to these institutions, including paying U.S.  
28 arrears. Continued U.S. support will ensure our ability to influence and lead policy  
29 directions at the MDBs as well as prioritize global humanitarian initiatives in areas  
30 we deem critical, including reducing poverty, consolidating new democracies, and  
31 improving governance.

32  
33 We regret that the Committee did not act on the Administration's request last year  
34 to authorize U.S. participation in the first capital increase for the North American  
35 Development Bank ("the Bank") since it was founded over 20 years ago. We urge  
36 the Committee to exercise its oversight responsibility and to authorize through  
37 regular order the U.S. commitment to the Bank's general capital increase. The  
38 North American Development Bank ("NADB") is an important bi-national  
39 development institution funded and governed equally by the United States and  
40 Mexico. The NADB is a critical component of the bilateral relationship between the  
41 United States and our third largest trading partner and Southern neighbor, Mexico.  
42 Strengthening the NADB would be an important demonstration of the United  
43 States' shared commitment with Mexico to build a stable and prosperous border  
44 region. As a valued and trusted institution on both sides of the border, the NADB

1 can continue to help mitigate high poverty rates and security challenges along the  
2 U.S.-Mexico border.

### 4 EXPORT-IMPORT BANK

5  
6 The Export-Import Bank of the United States (the Bank) is the official export credit  
7 agency of the United States. The Bank's mission is to support U.S. jobs by helping  
8 American companies, large and small, compete in the global marketplace and boost  
9 exports. Last year, after a five-month shutdown forced by the Bank's opponents, a  
10 majority of members in both parties voted to renew the Bank's operating charter  
11 through September 30, 2019. The reauthorization legislation also mandated a  
12 number of sensible reforms, including a provision to boost the share of financing for  
13 small businesses.

14  
15 In FY 2015, the Bank supported an estimated \$17 billion in U.S. export sales and  
16 approximately 109,000 jobs across the country. Since FY 2008, the Bank has  
17 operated on a self-sustaining financial basis, which means that in addition to  
18 offsetting the costs of its own operating expenses through the fees it collects, the  
19 Bank also generates excess funds that it sends each year to the Treasury. In FY  
20 2015, the Bank transferred roughly \$431 million in deficit-reducing receipts to the  
21 Treasury, down from the more than \$674 million the Bank delivered to taxpayers  
22 the previous year, due in part to the Bank's temporary shutdown.

23  
24 Democrats reject the Majority's claim that the Bank misrepresents its true cost to  
25 the American taxpayer. The Bank follows the congressionally mandated accounting  
26 system established through the Federal Credit Reform Act. In fact, the Bank has  
27 been highly effective in managing taxpayer risk, having sent \$6.9 billion in net  
28 profits to the Treasury since 1992, and maintaining a very low default rate of  
29 0.24%.

### 30 COMMITTEE VOTE

31  
32  
33 On February 3, 2016, the Committee on Financial Services held a markup of the FY  
34 2017 Budget Views and Estimates. Ranking Member Waters offered these views of  
35 the Democratic Members of the Committee as an amendment, which garnered the  
36 support of the following Members:

- 37  
38 1. Ms. Waters, *Ranking Member*  
39 2. Mrs. Maloney  
40 3. Ms. Velazquez  
41 4. Mr. Sherman  
42 5. Mr. Meeks  
43 6. Mr. Capuano  
44 7. Mr. Hinojosa

- 1 8. Mr. Clay
- 2 9. Mr. Lynch
- 3 10. Mr. Scott
- 4 11. Mr. Green
- 5 12. Mr. Cleaver
- 6 13. Ms. Moore
- 7 14. Mr. Perlmutter
- 8 15. Mr. Himes
- 9 16. Mr. Carney
- 10 17. Ms. Sewell
- 11 18. Mr. Foster
- 12 19. Mr. Murphy
- 13 20. Mr. Delaney
- 14 21. Ms. Sinema
- 15 22. Mrs. Beatty
- 16 23. Mr. Heck
- 17 24. Mr. Vargas

18

19

**Additional Views of Representative Keith Ellison**

20

21 Had I been present at the markup of the FY 2017 Budget Views and Estimates, I  
22 would have voted in favor of the amendment to insert the Views of the Democratic  
23 Members of the Committee.

24

25

**Additional Views of Representative Dan Kildee**

26

27 Had I been present at the markup of the FY 2017 Budget Views and Estimates, I  
28 would have voted in favor of the amendment to insert the Views of the Democratic  
29 Members of the Committee.