Crapo Statement at Title IV Implementation Hearing
June 2, 2020

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a remote hearing on implementation of Title IV of the CARES Act.

The text of Chairman Crapo's remarks, as prepared, is below.

"This hearing is another remote hearing via video.

"A few videoconferencing reminders: once you start speaking, there will be a slight delay before you are displayed on screen. To minimize background noise, please click the mute button until it is your turn to speak or ask questions. If there is a technology issue, we will move to the next senator until it is resolved. I remind all senators and the witnesses that the five minute clock still applies. You should all have one box on your screens labeled 'clock' that will show how much time is remaining. At 30 seconds remaining, I will gently tap the gavel to remind senators their time has almost expired. To simplify the speaking order process, Senator Brown and I have again agreed to go by seniority for this hearing.

"With that, today we welcome to this virtual hearing the following witnesses: Mr. Thomas Quaadman, Executive Vice President, U.S. Chamber, Center for Capital Markets Competitiveness; Dr. Douglas Holtz-Eakin, President, American Action Forum; and Dr. Heidi Shierholz, Senior Economist and Director of Policy, Economic Policy Institute.

"Congress and the Administration have taken extraordinary actions to mitigate the impact of the COVID-19 pandemic and provide conditions that will lead to a forceful economic recovery.

"The Coronavirus Aid, Relief and Economic Security Act, or CARES Act, has been central to that effort.

"Today we will focus on Title IV of the CARES Act, which provided a $500 billion infusion into the Exchange Stabilization Fund, the bulk of which is being used to support the Federal Reserve's emergency lending facilities.

"This unique lending authority, known as 13(3) authority, is authorized under section 13 of the Federal Reserve Act, and plays a critical role in stabilizing markets.

"We will receive testimony from each witness on the impact that the 13(3) facilities have had on the economy, what the policy trade-offs are of expanding or restricting the term sheets of the 13(3) facilities, how the unused funds from Title IV should be prioritized or leveraged, and an overall focus on Title IV implementation.

“Beginning on March 17, 2020, and before the CARES Act was signed into law, the Federal Reserve had already announced six 13(3) facilities.

“On April 9, 2020, after the passage of the CARES Act, the Federal Reserve Board and Department of Treasury announced new and expanded lending programs to provide up to $2.3 trillion in loans. This was a powerful step forward to support the flow of credit in the economy.

“At the Banking Committee hearing with Secretary Mnuchin and Chairman Powell on May 12, 2020, Secretary Mnuchin noted that the mere announcement of the Corporate Bond Facility, without putting up $1 of taxpayer money, unlocked the entire primary and secondary market for corporate bonds.

“The Federal Reserve’s recent Financial Stability Report highlighted a similar effect on financial markets resulting from the announcement of other facilities, noting that ‘Indicators of market functioning improved after the announcement of the CPFF, the MMFL, and the PDCF.’

“Although the announcement of many of these facilities can help move markets toward more normal functioning, becoming operational is key to achieving their full potential.

“With respect to the Federal Reserve’s emergency lending facilities, I look forward to hearing: how announcing and operationalizing the facilities have impacted the economy and financial markets so far; how the facilities have provided or stand to provide necessary credit to households, businesses, States and local governments; ways that the facilities could be improved; and how existing term sheets could be further expanded or opportunities to build upon the efforts of existing facilities.

“The Main Street Lending Facilities and Municipal Liquidity Facility extend a lifeline to states, local governments, tribes and businesses by supporting over a trillion dollars of lending with $110 billion of Title IV funds.

“Incorporating widespread restrictions in these facilities could render the facilities ineffective and leave businesses and their employees without critical resources they desperately need.

“Excessive restrictions not only risk ineffectiveness for the Main Street Lending Facilities, but also for other facilities, as well.

“For example, on May 11, the Fed updated the term sheet for the Municipal Liquidity Facility to lower the population thresholds for cities and counties, despite not being included in the CARES Act at all.

“While this was a step in the right direction, it still leaves many smaller and rural communities without direct access to financial resources, including no cities or counties in Idaho.

“Each of these facilities, especially those funded by the CARES Act, provide an opportunity to support businesses, employees, States and local governments whose lives have been suddenly turned upside down by governments’ effort to stop the spread of COVID-19.

“The work to get these facilities up and running has been of immense importance, and now it must be ensured that they are structured to achieve the greatest impact for those in need.

“I appreciate each one of you joining us today.”

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