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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

May 19, 2026

The Honorable Michelle Bowman
Vice Chair for Supervision
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Dear Vice Chair Bowman:

I write to request that the Federal Reserve Board's (Fed's) immediately update its 2026 stress testing scenarios, ahead of the June stress tests, in light of President Trump's illegal and dangerous war in Iran. In February 2026, the Fed revised its stress testing scenarios to include less severe oil price shocks, arguing that doing so was "better supported by historical experience."¹ Yet just weeks later, President Trump launched another reckless war in the Middle East, which caused oil prices to skyrocket well beyond those contemplated in the Fed's new, weakened scenario. Given the Fed's apparent interest in incorporating "historical experience" into its stress testing framework, and the need for stress testing scenarios to be substantially more severe than the expected economic baseline, I seek additional details on when the Fed plans to update its 2026 stress testing scenario to better align with the real world oil shocks we have seen in recent weeks, thanks to President Trump.

The Fed utilizes stress tests to "assess[] whether banks are sufficiently capitalized to absorb losses during stressful conditions."² As such, stress tests must be forward-looking evaluations of how big banks would perform in a hypothetical severely adverse economic scenario to ensure they are resilient and can continue to serve households and businesses even in a severe recession. To meaningfully assess banks' response to stress, and to prevent future failures, stress test scenarios must be more severe than current anticipated conditions. If stress tests do not force banks to prepare to respond to worst case scenarios, they leave the banking system –and the public–unprepared in the face of economic crises.

Despite the critical importance of robust stress testing to our nation's financial stability, in October 2025, the Fed –for the first time since creation of the annual stress tests– requested public comment on the economic scenarios it proposed to use to conduct the 2026 supervisory stress test.³ I, along with many banking experts, are deeply concerned that allowing the banking

¹ Federal Reserve, "Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Scenarios," February 2026, pp. 36-39, <https://www.federalreserve.gov/supervisionreg/files/2026-scenario-review-of-comments.pdf>.

² Federal Reserve, "Stress Tests," <https://www.federalreserve.gov/supervisionreg/stress-tests-capital-planning.htm>.

³ Federal Reserve, "Federal Reserve Board requests comment on proposals to enhance the transparency and public accountability of its annual stress test," October 24, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251024a.htm>.

industry to help shape its own test would result in less severe economic scenarios. And indeed, during the comment period, big banks pressed the Fed to reduce the severity of the stress test.⁴

And in February 2026, the Fed released its final stress test scenarios, which were significantly more watered down than its originals. The new stress test framework, notably, included a significant reduction in the shock to oil prices. Specifically the Fed stated, “the shock to oil prices would be reduced from 77 percent, as proposed, to 27.9 percent, so that the joint calibration of the oil price and credit spread shocks (350 bps for BBB-rated bonds) would be better supported by historical experience.”⁵ In other words: the Fed asserted that its previous stress testing scenario envisioned a jump in oil prices that was too high—one that would likely not be replicated in the real world any time soon, in light of “historical experience.”

Just weeks later, the Fed’s failure of imagination was on display. On February 28, 2026, the United States and Israel launched an illegal war on Iran, triggering severe disruptions in global energy markets.⁶ Traffic through the Strait of Hormuz, a critical maritime route responsible for global oil shipments, remains at a standstill, creating the largest oil disruption in history.⁷ And moments after Trump’s speech in early April where he threatened more strikes on Iran, oil prices again shot upwards.⁸ The price of Brent crude, the global benchmark for oil, jumped up to \$109.⁹ As the Financial Times recently reported, a large, global fund manager is now “examining a scenario where Brent crude rockets to \$180 a barrel, causing surging inflation and recessions in a host of European and Asian countries.”¹⁰ That would represent over a 140 percent price increase relative to the start of the war.¹¹

As the President’s illegal war has thrown into stark relief, the Fed appears to have inadvertently dialed down an historic source of systemic stress in its 2026 economic scenarios right before it unfolded. At the very least, the Fed should immediately adjust this component of the 2026 scenarios to test for a 140 percent increase in oil prices. It is not too late to do so as the Fed has only begun to calculate the results, which will not be published until the end of June. It is also essential for the Fed to explain why it severely weakened the oil price shock and other aspects of the stress testing scenarios in light of pressure from the banking industry.

⁴ Comment Letter from Bank Policy Institute, American Bankers Association, Financial Services Forum, The Securities Industry and Financial Markets Association, International Swaps and Derivatives Association, and Institute of International Bankers to Board of Governors of the Federal Reserve, December 1, 2025, <https://bpi.com/wp-content/uploads/2025/12/BPI-2026-Stress-Test-Scenarios-Comment-Letter-2025.12.01.pdf>.

⁵ Federal Reserve, “Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Scenarios,” February 2026, pp. 36-39, <https://www.federalreserve.gov/supervisionreg/files/2026-scenario-review-of-comments.pdf>.

⁶ Reuters, “Iran war’s energy impact forces world to pay up, cut consumption,” Alex Lawler and Arathy Somasekhar, March 21, 2026, <https://www.reuters.com/business/energy/iran-wars-energy-impact-forces-world-pay-up-cut-consumption-2026-03-21/>.

⁷ Yahoo Finance, “‘Worst nightmare’: Iran war is the biggest oil shock in history, analysts say,” Jake Conley, March 26, 2026, <https://finance.yahoo.com/news/worst-nightmare-iran-war-is-the-biggest-oil-shock-in-history-analysts-say-100051089.html>.

⁸ BBC, “Oil prices jump and shares drop after Trump threatens more Iran strikes,” Osmond Chia and Peter Hoskins, April 2, 2026, <https://www.bbc.com/news/articles/ce8lz4v7zdo>.

⁹ *Id.*

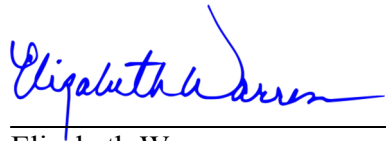
¹⁰ Financial Times, “Tipping point looms for energy global crisis,” Malcolm Moore, et.al, May 17, 2026, <https://www.ft.com/content/f636f726-b185-4f6a-91d2-75ea3d1b9beb?syn-25a6b1a6=1>.

¹¹ CNBC, “A timeline of how the Iran war shook oil prices — and what comes next,” Emma Graham, April 21, 2026, <https://www.cnbc.com/2026/04/21/oil-price-iran-war-middle-east.html>.

Unfortunately, even if the Fed did adjust its stress testing framework, this fix would only marginally strengthen the stress testing framework, which is being drastically weakened by the Trump administration in ways that would water down additional stress test models and make it easier for big banks to game the tests.

I ask the Fed to reverse course on its broader changes to the stress testing framework, starting by notifying the public that it has adjusted the shock to oil prices to at least 140 percent by June 2, 2026.

Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs