Crapo Statement at Financial Regulator Oversight Hearing
November 10, 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 “Oversight of Financial Regulators.”

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

“Today we welcome to this virtual hearing the federal prudential regulators: Federal Reserve Vice Chairman of Supervision, Randy Quarles; Acting Comptroller of the Office of the Comptroller of the Currency, Brian Brooks; Chairman of the Federal Deposit Insurance Corporation, Jelena McWilliams; and Chairman of the National Credit Union Administration, Rodney Hood.

“We will receive testimony from each agency on efforts, activities, objectives, and plans since you last testified before the Committee, as well as an update on COVID-19 related actions.

“Since the passage of the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, your agencies have taken many meaningful steps to help mitigate the economic impact of the pandemic, and to provide conditions that will lead to a forceful recovery.

“On October 30, the Federal Reserve announced changes to its Main Street Lending Facility, including decreasing the minimum loan size for the new loan and priority loan facilities from $250,000 to $100,000; and allowing borrowers to deduct any PPP loan less than $2 million from their outstanding debt for the purposes of the leverage test.

“Your agencies should continue to carefully review the regulatory and supervisory frameworks, adjusting where necessary to bolster financial institutions’ ability to support economic recovery.

“Which, by the way, has shown positive signs of recovery over the last several months.

“On October 29, the United States GDP surged a record 33 percent in the third quarter as the economy started to reopen.

“The unemployment rate fell to 6.9 percent in October, when just last spring CBO projected that we’d still be at 9.5 percent by the end of 2021.

“Since April, around 12 million jobs have been gained, meaning we have recovered more than half of the jobs lost due to shutdowns.

“Over the last few months, I have sent several letters to the regulators on a number of important issues.

“On July 31, I sent a letter to each of the agencies urging the use of existing discretion to extend relief provided under Title IV of the CARES Act, including: the Community Bank Leverage Ratio to December 31, 2021; Troubled Debt Restructurings (TDRs) to January 1, 2022; and the Current Expected Credit Losses (CECL) methodology to January 1, 2023, while clarifying and minimizing unintended effects of mid-year adoption.

“On October 8, I sent the regulatory agencies a letter regarding the increase in regulatory burden for banks and credit unions simply due to their rapid implementation Paycheck Protection Program (PPP).

“As a result of their critical role in PPP and the economic recovery, many banks and credit unions inadvertently experienced significant balance sheet growth, which is ultimately expected to decline as borrowers meet the PPP’s forgiveness terms.

“The FDIC took an important step in issuing an interim final rule to alleviate the increased Part 363 audit and reporting requirements for insured depository institutions (IDIs) that have experienced growth from PPP and participation in the Federal Reserve 13(3) facilities (and other stimulus efforts).

“It is important that banks and credit unions are not inadvertently dis-incentivized from continuing to play a key role in the economic recovery or participate in future efforts.

“I urge each of you to continue using your discretion to alleviate the regulatory burdens associated with a variety of asset-based regulatory thresholds on those banks and credit unions temporarily experiencing growth from participation in recovery-oriented programs.

“Turning to the OCC, on October 19, the Senate rejected a Congressional Review Act of the Community Reinvestment Act issued by the OCC.

“According to the OCC, the final rule improves Community Reinvestment Act regulations ‘by clarifying what qualifies for CRA consideration, updating how banks define their assessment areas, evaluating bank CRA performance more objectively, and making the entire process more transparent and timelier. The final rule’s framework will increase support to small business, small and family-owned farms, Indian Country, and distressed areas, and it accommodates banks of all sizes and business models.’

“The CRA had not been materially modernized since 1995, and I commend the OCC for taking this momentous step.

“As we continue to weather this pandemic, I again stress to each of you and your agencies the importance of our financial institutions providing access to credit and financial services to creditworthy individuals and businesses in legal industries.

“It is vitally important that our country’s financial institutions, especially the largest, not deny credit financing based on political preferences related to firearms, oil and gas, or others.

“Lending decisions should be based on creditworthiness, and should not target specific industries, especially as we work to restore our economy to pre-pandemic strength.

“This will remain an incredibly important issue for me, and I will continue to fight for access to credit and financial services for all of our legal industries.

“I appreciate each one of you joining us today to share your agency’s activities and plans, as well as the tireless work of you and your staff in response to COVID-19.”

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