Crapo Statement at Quarterly CARES Act Hearing
September 24, 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 hybrid hearing on the "Quarterly CARES Act Report to Congress."

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

"Today we welcome our witnesses to this hearing: The Honorable Steven T. Mnuchin, Secretary of the Department of the Treasury; and The Honorable Jerome H. Powell, Chairman of the Board of Governors of the Federal Reserve System.

"Today's witnesses will provide testimony as required under Title IV of the CARES Act.

"Congress has appropriated nearly $3 trillion to protect, strengthen and support Americans, to fight the pandemic, and also to stabilize the infrastructure of our economic system.

"Title IV of the CARES Act provided a $454 billion infusion into the Exchange Stabilization Fund to support the Federal Reserve's 13(3) emergency lending programs and facilities that facilitate liquidity in the marketplace and support eligible businesses, States, municipalities and Tribes.

"So far, approximately $195 billion of funds under Title IV of the CARES Act have been leveraged to provide trillions of dollars in liquidity back into the markets, supporting credit flow and helping to stabilize the economy, including through the: Primary Market and Secondary Market Corporate Credit Facilities; Term Asset-Backed Securities Loan Facility; Main Street Lending Program; and Municipal Liquidity Facility.

"That leaves around $250 billion in funding remaining under Title IV of the CARES Act.

"There has been significant interest in exploring ways that the Main Street Lending Program, which offers financial support to smaller and medium-sized businesses and nonprofits, can be improved to expand its access and utilization.

"Earlier this month, the Banking Committee held a hearing on the status of 13(3) facilities where witnesses made the case for and provided recommendations to change the terms of the Main Street Lending Program to broaden its access and use, and to address the commercial real estate market.

"In that hearing, Hal Scott, President of the Committee on Capital Markets Regulation, shared his view that, '…small and medium-sized businesses will need financial support for several years to recover from the impact of the COVID-19 pandemic.'

“He continued, ‘While our economy is improving, given the depth to which it fell, there is still a long way to go. Small business revenues continue to be well below pre-pandemic levels, and the recovery has stalled since July. A key part of this financial support should come from the Main Street Program authorized by the CARES Act.’

“In that same hearing, Jeff DeBoer, President and CEO of the Real Estate Roundtable, painted a bleak picture of the condition of the commercial real estate market.

“He said, ‘…it is impacting their ability to meet their debt service obligations, which increases pressure on financial institutions, pension fund investors, and others.’

“And, ‘…it is pushing property values down to the detriment of local governments. It is causing much stress in pools for commercial mortgage-backed securities. It is threatening to result in countless commercial property foreclosures. The situation must be addressed.’

“In July, I sent a letter to each of you, Secretary Mnuchin and Chairman Powell, urging you to expand access to the Main Street Lending Program, including by setting up an asset-based lending program and addressing the commercial real estate market.

“In addition to expanding the Main Street Lending Program, there has been meaningful interest in opportunities to allocate any remaining CARES Act funds.

“In August, House Financial Services Committee Ranking Member McHenry and I sent a letter to the each of you urging you to implement the remaining funds under Title IV to work to the fullest extent, including by expanding the Main Street Lending Program, to further support Main Street businesses, their workers and the American economy.

“The Federal Reserve’s 13(3) facilities play a critical role in strengthening the economic recovery.

“It is important to continually assess what areas of the economy and financial markets continue to be in need of support; and identify options for providing additional needed support, whether through expanding existing facilities or creating new facilities.

“In July, I sent a letter to the federal banking regulators urging each of them to extend and expand critical CARES Act relief where there is discretion, including relief for: The Community Bank Leverage Ratio to at least December 31, 2021; Troubled Debt Restructurings to at least January 1, 2022; and The Current Expected Credit Losses to at least January 1, 2023.

“Since that letter, I have heard additional concerns from both banks and credit unions.

“Not only have banks and credit unions experienced a significant inflow of deposits during this pandemic, but Congress also tasked them with supporting the economy, particularly through the Paycheck Protection Program.

“Their role and these unique circumstances threaten to cause key regulatory thresholds to be breached and a ratcheting up of regulation that would otherwise not occur that could keep them on the sidelines.

“The regulatory framework should account for these unique circumstances, and enable banks and credit unions to continue supporting the recovery.

“Title IV also contains robust oversight provisions.

“Section 4026 is what brings us here today, and it also established the Congressional Oversight Commission, which has held two public hearings and issued four reports to date, and the Special Inspector General for Pandemic Recovery, who has, to date, issued one report and continues its important work.

“During today’s hearing, I look forward to hearing: how the financial resources provided under the CARES Act have benefitted the American people and economy; an update on the status of 13(3) emergency facilities, including an assessment of the opportunities for and need to expand the Main Street Lending Program; steps the Fed and Treasury have taken and will continue to take to provide transparency into the loans, loan guarantees and other investments under the CARES Act; opportunities to utilize any remaining funds of the CARES Act to provide financial support and additional liquidity to the economy; and opportunities to tailor the regulatory framework to account for the unique circumstances of the pandemic and role of the financial institutions, and whether congressional action is needed.

“Although there have been positive economic signs in recent months, Americans are continuing to still struggle with and feel the effects of the COVID-19 pandemic still need relief.

“Unfortunately, Republicans’ repeated efforts to deliver targeted relief in areas where we can agree has been rebuffed by Democrats.

“Negotiating toward a realistic package that can actually get passed and signed into law would best serve the American people during this difficult time.

“I appreciate the work of both Secretary Mnuchin and Chairman Powell in response to this horrible pandemic to support financial markets, businesses and the economy.

“Thank you to each of you for joining the Committee today.”

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