Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Nomination Hearing
September 30, 2021 at 10:00 AM

Mr. Chairman, thank you. Mr. Harper, Ms. Pryor, and Mr. Herrnstadt, welcome.

First, Mr. Harper has been nominated to serve another term as a member of the National Credit Union Administration. Mr. Harper has served on the NCUA's bipartisan board since being confirmed in 2019.

Before he was named NCUA's chair in January 2021, he appeared to have a reasonable approach to regulation and a good working relationship with his colleagues. However, since being named Chair, Mr. Harper's been too willing to put the administration's global warming agenda ahead of the sensible regulation of our country's credit unions.

Just last month, in a meeting on August 19, 2021 with NCUA's newly formed Climate Financial Risks Working Group, Mr. Harper noted: "A credit union's field of membership is often tied to a specific worksite or an industry, like an oil refinery or agriculture." And "[t]o remain resilient, such credit unions will need to consider adjusting their fields of membership, altering their loan portfolios, or protecting the collateral that backs their homes."

I hope to understand exactly what he meant by these statements. Our nation's credit unions and the 120 million members they serve deserve a regulator that's focused on the risks in front of them, not a regulator that's more interested in misusing its authority to pursue extreme policies for which it has no expertise.

Now turning to the Export-Import Bank. Ms. Pryor has been nominated to serve as First Vice President and Mr. Herrnstadt has been nominated to serve on the Board of Directors at EX-IM.

I continue to remain deeply skeptical of EX-IM and its role in the global economy. Since joining the Senate, I've advocated for sensible reforms to EX-IM, but proponents of EX-IM continue to block any reform efforts. In my view, it was ill-advised for Congress to reauthorize EX-IM in 2019 for a historic seven years without major reforms to protect federal taxpayers. Taxpayers ultimately bear the consequences of undue risk taking at the bank.

Let’s be clear: EX-IM wins business by either systemically underpricing risk that private markets would otherwise absorb or taking on risk that private markets would not bear at any price. Since 2018, EX-IM’s default rate has tripled to 1.5%, and may soon breach the 2% statutory cap on defaults.

Congress has laid out a clear corrective measure in the event the default rate cap is breached. EX-IM must temporarily freeze lending that exceeds its current book of business until the default rate drops back below the 2% statutory cap.

Unfortunately, the Biden administration wants to avoid such reasonable taxpayer protections. Instead, the Biden administration is asking that Congress double EX-IM’s default rate cap to 4 percent. Instead of fixing the problem, the Biden administration wants to ignore the problem of rising defaults by changing the metrics and simply tolerating still more defaults. These defaults can lead to taxpayer bailouts of EX-IM as has happened in the past.

As part of the EX-IM’s reauthorization in 2019, Congress created a new EX-IM China program to compete with the People’s Republic of China and its massively subsidized export credits. Just as I feared then, the administration is now proposing that we engage in a race to the bottom with the Chinese government. Specifically, as the Chinese government increases their giveaways to their exporters, the administration is looking to match those giveaways at the expense of the U.S. taxpayer. That is not the way to win a competition with the Chinese Communist Party.

I’m concerned that propping up exports for this program will only lead to further government subsidies. A U.S. export economy dependent upon federal credit subsidies is not a recipe for long-term success. Rather, it will lead to crony capitalism and an ossification of our economy. Of course, EX-IM already represents crony capitalism at its worst.

In the case of EX-IM, crony capitalism is providing taxpayer financed subsidies to some of the world’s largest multinational companies who have access to deep and liquid capital markets. Take for example one transaction that Ms. Pryor voted to approve in 2021. It's a deal guaranteeing an $85 million loan from JP Morgan to Qantas for the purpose of buying jet engines from General Electric.

JPM is the largest bank in America. Qantas is the largest airline in Australia. And GE is one of the largest industrial companies in the world. Why do these companies need the American taxpayers standing to subsidize any of behind their deal? The obvious answer is they don't. These are some of the biggest, most sophisticated companies in the world with full access to the capital markets.

I recognize that my views are not the consensus views of this Committee. I would prefer that we did not require federal taxpayers to subsidize these transactions at all. Still, I would hope there is an agreement among our nominees that EX-IM should not be a lender of first resort.

As required per statute, EX-IM "should supplement and encourage, and not compete with, private capital." I look forward to hearing from Ms. Pryor and Mr. Herrnstadt on this aspect of EX-IM activity and their plans should they be confirmed.