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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 26, 2026

Kevin Warsh
Shepard Family Distinguished Visiting Fellow in Economics
Hoover Institution
434 Galvez Mall
Stanford, CA 94395

Dear Mr. Warsh:

I write to better understand what, if anything, you've learned from your failure to prioritize American families over Wall Street before, during, and after the 2008 financial crisis while serving as a member of the Board of Governors of the Federal Reserve System (Fed or Federal Reserve). Rather than implementing policies to improve the lives of the American public, you ignored the obviously excessive risk-taking on Wall Street; worked tirelessly to bail out large financial institutions after their bets blew up the economy; and advocated for policies that would have further harmed the millions of Americans who lost their jobs, were thrown out their homes, and saw their life savings evaporate. Your record as a Governor should disqualify you from a promotion, but President Donald Trump has vowed that "anybody that disagrees with" him "will never be the Fed Chairman"¹ – and you, apparently, have passed his test.

From 2006 to 2011, you served as a Federal Reserve Governor – a position of significant power and influence in the lead-up to the worst financial crisis since the Great Crash of 1929. At the time, I – along with many experts and consumer advocates – rang alarm bells about subprime lenders tricking unsuspecting families into overpriced mortgages, and foreclosure rates starting to tick up as mortgage lenders were still churning out loans.² As you began your service at the Fed, warning signs of the coming crisis were clear to see: over the course of 2007, financial institutions exposed to subprime mortgages experienced massive losses as delinquencies surged. Between February and March 2007, more than 25 subprime lenders declared bankruptcy.³ These clear signals of distress spurred a widespread selloff of essentially worthless subprime securities. Yet rather than using the Fed's powerful supervisory and regulatory authorities to address the severe consumer and financial stability risks posed by subprime mortgages, you defended and even implicitly promoted these products. On August 11, 2007, despite acknowledging "the losses

¹ Reuters, "Trump says anybody that disagrees with him will never be Fed Chair," December 23, 2025, <https://www.reuters.com/world/us/trump-says-anybody-that-disagrees-with-him-will-never-be-fed-chair-2025-12-23/>.

² Elizabeth Warren and Amelia Warren Tyagi, "The Cement Life Raft," 2003, <https://www.pbs.org/wgbh/pages/frontline/shows/credit/more/cement.html>.

³ U.S. Senate Joint Economic Committee, "Subprime Meltdown and the U.S. Economy," September 2007, p. 2, https://www.jec.senate.gov/public/_cache/files/28b28a73-f1d4-4ec2-b648-901dbe078b0b/subprime-meltdown-and-the-u.s.-economy---sept-2007.pdf.

... felt by hedge funds and other financial intermediaries are... forcing them to... revisit their exposures,”⁴ you asserted “we don’t see any immediate systemic risk issues that are brought to bear.”⁵ In the following weeks, the Fed would inject \$62 billion in temporary liquidity into the banking system and cut the discount window rate as fears of a global credit crunch grew.⁶ Astonishingly, in December 2007, you agreed that “subprime mortgages have gotten a bad name in this environment.”⁷

You also promoted derivatives and other forms of “financial innovation” as vehicles to disperse risk and make the financial system safer.⁸ Again, you were wrong. For years preceding the crisis, experts rang alarms regarding the riskiness of the unregulated over-the-counter derivatives market. In 1998, even Federal Reserve Chair Alan Greenspan, who was sympathetic to deregulation, testified, “I have no doubt derivatives losses will mushroom at the next significant [economic] downturn as will losses on holdings of other risk assets.”⁹ In a 2002 Berkshire Hathaway Annual Report, Warren Buffett warned, “derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal.”¹⁰ These products were key drivers of systemic risk during the 2008 financial crisis, creating opaque leverage and entangling financial institutions in dizzying webs of risk.

During the crisis itself, you appear to have prioritized the interests of large financial institutions ahead of the American public. Your eagerness to bail out Wall Street, including through taxpayer-assisted megamergers, was not surprising, given the seven years you spent as a Morgan Stanley mergers and acquisitions executive prior to joining the George W. Bush Administration.¹¹ It has been well-documented that you played a central role helping to arrange numerous multibillion dollar bailouts and even obtained an ethics waiver to deal directly with Morgan Stanley, which received the special regulatory approvals from the Fed on an expedited basis necessary to access additional emergency support.¹²

⁴ U.S. House Committee on Financial Services, “HEDGE FUNDS AND SYSTEMIC RISK: PERSPECTIVES OF THE PRESIDENT’S WORKING GROUP ON FINANCIAL MARKETS,” July 11, 2007, <https://www.congress.gov/event/110th-congress/house-event/LC8481/text>.

⁵ Reuters, “Fed’s Warsh says no systemic risk from subprime,” August 9, 2007, <https://www.reuters.com/article/us-hedgefunds-congress-fed-subprime/feds-warsh-says-no-systemic-risk-from-subprime-idUSN1139617720070711/>.

⁶ NPR, “Fed Lowers Discount Rate to Calm Markets,” August 17, 2007, <https://www.npr.org/2007/08/17/12866844/fed-lowers-discount-rate-to-calm-markets#>; The New York Times, “Central Banks Intervene to Calm Volatile Markets,” Vikas Bajaj, August 11, 2007, <https://www.nytimes.com/2007/08/11/business/worldbusiness/11markets.html>.

⁷ C-SPAN, “Kevin Warsh speaking at 2007 Fed Meeting on Mortgage rules,” December 18, 2007, <https://www.c-span.org/clip/public-affairs-event/user-clip-kevin-warsh-speaking-at-2007-fed-meeting-on-mortgage-rules/5192278>.

⁸ Governor Kevin Warsh, “Financial Intermediation and Complete Markets Speech at the European Economics and Financial Centre, London, England,” June 5, 2007, <https://www.federalreserve.gov/newsevents/speech/warsh20070605a.htm>.

⁹ Written Testimony of Federal Reserve Chairman Alan Greenspan to the U.S. House Committee on Banking and Financial Services, July 24, 1998, <https://www.federalreserve.gov/boarddocs/testimony/1998/19980724.htm>.

¹⁰ Letter from Berkshire Hathaway Inc. Chairman Warren E. Buffett to Shareholders, February 21, 2003, <https://www.berkshirehathaway.com/letters/2002pdf.pdf>.

¹¹ Federal Reserve History, “Kevin M. Warsh,” <https://www.federalreservehistory.org/people/kevin-m-warsh>.

¹² Federal Reserve System, Order Approving Formation of Bank Holding Companies and Notice to Engage in Certain Nonbanking Activities,” September 21, 2008, <https://www.federalreserve.gov/newsevents/pressreleases/files/orders20080922a2.pdf>; Andrew Ross Sorkin. (2009). *Too Big to Fail*. p. 417. Viking.

- You have been “credited by [former Fed Chair Ben] Bernanke and others for serving as a conduit to Wall Street during the darkest days of the Great Financial Crisis, including facilitating JPMorgan Chase’s 2008 takeover of Bear Stearns.”¹³ Under this arrangement, the Fed provided more than \$28 billion in financing to facilitate the acquisition¹⁴ and the New York Fed took control of a \$30 billion portfolio of Bear Stearns' risky assets.¹⁵
- According to contemporaneous reporting, you were involved in facilitating Morgan Stanley and Goldman Sachs’s emergency conversions from investment banks to bank holding companies,¹⁶ enabling the firms to access the Fed’s discount window directly and providing the imprimatur of the federal government’s safety net. In total, the banks drew a staggering \$2 trillion¹⁷ and \$589 billion¹⁸ respectively from Fed lending facilities. This action also allowed the firms to tap into the Troubled Asset Relief Program’s (TARP) Capital Purchase Program. They each received \$10 billion in direct capital injections.¹⁹
- During a crucial meeting of the Federal Open Market Committee on September 16, 2008, you emailed then-Treasury Department contractor Dan Jester, a former Goldman Sachs banker who still owned the bank’s stock, regarding the size of AIG’s liquidity needs.²⁰ That evening, AIG received an \$85 billion Fed loan, the same amount Jester had recommended to Warsh just hours prior.²¹ Goldman Sachs was a major counterparty to AIG.

¹³ Reuters, “Kevin Warsh can work with the Fed to shrink it,” Gabriel Rubin, February 25, 2026, <https://www.reuters.com/commentary/breakingviews/kevin-warsh-can-work-with-fed-shrink-it-2026-02-25/>.

¹⁴ Federal Reserve Bank of New York, “New York Fed Completes Financing Arrangement Related to JPMorgan Chase’s Acquisition of Bear Stearns,” press release, June 26, 2008, <https://www.newyorkfed.org/newsevents/news/markets/2008/ma080626#>.

¹⁵ Federal Reserve Bank of New York, “Maiden Lane Transactions,” <https://www.newyorkfed.org/markets/maidenlane.html#>.

¹⁶ The Wall Street Journal, “Goldman, Morgan Scrap Wall Street Model, Become Banks in Bid to Ride Out Crisis,” Jon Hilsenrath, Damian Paletta, and Aaron Lucchetti, September 22, 2008, <https://www.wsj.com/articles/SB122202739111460721>.

¹⁷ CNBC, “Citi and Morgan Stanley Borrowed Over \$2 Trillion From Fed,” John Carney, July 22, 2011, <https://www.cnb.com/2011/07/22/citi-and-morgan-stanley-borrowed-over-2-trillion-from-fed.html>.

¹⁸ Reuters, “Data shows Goldman Sachs lapped up emergency loans,” December 1, 2010, <https://www.reuters.com/article/business/finance/data-shows-goldman-sachs-lapped-up-emergency-loans-idUSN01218073/>.

¹⁹ ProPublica, “Bailout Recipients,” August 18, 2022, <https://projects.propublica.org/bailout/list>.

²⁰ Yale School of Management, Program on Financial Stability, “Email from Kevin Warsh Regarding In FOMC Management, September 16, 2008, <https://elischolar.library.yale.edu/cgi/viewcontent.cgi?article=2531&context=yafs-documents>; The New York Times, “Mystery Men of the Financial Crisis,” William D. Cohan, February 4, 2010, <https://archive.nytimes.com/opinionator.blogs.nytimes.com/2010/02/04/mystery-men-of-the-financial-crisis/>.

²¹ The Wall Street Journal, “Who Is Kevin Warsh, Trump’s Fed Chair Pick?” Matt Gossman, January 30, 2026, <https://www.wsj.com/economy/central-banking/who-is-kevin-warsh-trumps-fed-chair-pick-a77dc602>; Board of Governors of the Federal Reserve System, “Federal Reserve Board, with full support of the Treasury Department, authorizes the Federal Reserve Bank of New York to lend up to \$85 billion to the American International Group (AIG),” press release, September 16, 2008, <https://www.federalreserve.gov/newsevents/pressreleases/other20080916a.htm>.

After working to bail out Wall Street, you advocated for jacking up interest rates for working families and small businesses, further imperiling an ailing economy. In 2009 and 2010, as the economy hemorrhaged jobs, you appear to have prioritized “taming” already low inflation over addressing sky-high unemployment, cautioning in a speech that “even with the unemployment rate still high – the FOMC would have cause to consider the path of policy” especially “if inflation expectations increase materially.”²² When you gave that speech, the unemployment rate was 9.8 percent; the core inflation rate was below 1 percent.²³ Your monetary policy record shows a repeated failure to accurately assess the impact of inflation on the American economy.

It appears you have learned nothing from your failures. Since leaving the Fed, you have advocated against tougher safeguards intended to prevent big bank failures and taxpayer bailouts.²⁴ The 2008 financial crisis demonstrated that weak rules, inadequate oversight, and an unrestrained Wall Street can result in economic disaster. Still, you’ve called for deregulation again and have been cheerleading the Trump Administration’s Wall Street First agenda. As recently as last year, you published an op-ed praising megabank deregulation.²⁵ The op-ed continues by critiquing efforts to strengthen risk-based capital requirements for the very largest banks – an important tool that ensures banks finance investments with sufficient equity to absorb losses commensurate with an asset’s perceived riskiness.²⁶ Though you have, at times, hand-waived at alternative perspectives – stating, for example, that “eradicating the too-big-to-fail problem should be the predominant policy goal”²⁷ – your actual record reflects a desire to entrench the too-big-to-fail problem, deregulate Wall Street, and deploy taxpayer funds to keep big banks afloat when they gamble with Americans’ money and lose.

As Fed Chair, you will be responsible for directing economy-altering policies that have serious consequences for American workers and communities. However, your track record leading up to, during, and after the 2008 financial crisis raises significant concerns about your ability to do so. Furthermore, if confirmed, I have no doubt that you will serve as a rubber stamp on President Trump’s Wall Street First agenda. To help me better understand what, if anything, you’ve learned from your past failures, please respond to the following questions no later than April 2, 2026.

²² Securities Industry and Financial Markets Association “Remarks by Governor Kevin Warsh on Rejecting the Requiem,” November 8, 2010, https://fraser.stlouisfed.org/files/docs/historical/federal%20reserve%20history/bog_members_statements/warsh_20101108.pdf.

²³ FRED, Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics, “Unemployment Rate [UNRATE]”; <https://fred.stlouisfed.org/series/UNRATE>; U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U), <https://data.bls.gov/dataViewer/view/timeseries/CUSR0000SA0L1E>.

²⁴ Governor Kevin Warsh, “Regulation and Its Discontents Speech at the New York Association for Business Economics,” February 3, 2010, <https://www.federalreserve.gov/newsevents/speech/warsh20100203a.htm>; The Wall Street Journal, “The Federal Reserve’s Broken Leadership,” Kevin Warsh, November 16, 2025, <https://www.wsj.com/opinion/the-federal-reserves-broken-leadership-43629c87>.

²⁵ The Wall Street Journal, “The Federal Reserve’s Broken Leadership,” Kevin Warsh, November 16, 2025, <https://www.wsj.com/opinion/the-federal-reserves-broken-leadership-43629c87>.

²⁶ *Id.*

²⁷ Governor Kevin Warsh, “Regulation and Its Discontents Speech at the New York Association for Business Economics,” February 3, 2010, <https://www.federalreserve.gov/newsevents/speech/warsh20100203a.htm>.

1. Despite clear warning signs prior to the 2008 crash, regulators largely ignored the risks associated with subprime mortgage markets, derivatives products, and other financial sector fragilities.
 - a. You maintained that the subprime mortgage market did not pose systemic risks. That market was at the heart of the most severe financial crash since 1929.
 - i. Please describe your reasoning for downplaying the systemic risks from the subprime mortgage market as late as August 2007.
 - ii. In 2020, when discussing the origins of the 2008 financial crisis, you stated, “it was perceived early to have something to do with subprime US mortgages, a hypothesis that I did not believe then was adequate and do not believe now.”²⁸ Do you still hold this belief?
 - iii. What regulatory or supervisory steps should you have taken in 2006-07?
 - b. Why did you incorrectly diagnose the risks posed by derivatives?
 - i. Do you believe that derivatives were key drivers of systemic risk during the financial crisis?
 - c. What lessons have you learned from your gross misjudgments of systemic risk drivers? If you are confirmed, will you heed early warning signs and address emerging risks before they become systemic?

2. As a primary architect of Wall Street bailouts throughout the financial crisis, do you believe your actions are, in any part, responsible for exacerbating the Too-Big-To-Fail problem?
 - a. Do you believe that risky executive compensation practices contributed to the 2008 financial crisis?
 - b. Should bailouts have been conditioned on foreclosure restrictions? Do you believe such restrictions could have helped Americans stay in their homes?
 - c. TARP disbursed more than \$440 billion to Wall Street firms and automakers.²⁹ What role, if any, did you play in helping firms secure TARP bailouts?
 - d. Did you ever advocate for direct support for struggling families during this period?
 - e. In hindsight, are there any parts of your participation in the crisis response that you would change?
 - f. Do Too-Big-To-Fail firms still exist? If so, what steps would you take to eliminate this problem once and for all?

3. During your time as Fed Governor, you consistently warned about upside risks to inflation that never materialized. In hindsight, do you believe those concerns were justified by the data available at the time, or do you now view them as misjudgments?
 - a. Please provide empirical evidence to support your answer.

²⁸ Yale School of Management, Program on Financial Stability, “YPFS Lessons Learned Oral History Project: An Interview with Kevin Warsh,” Kevin Warsh and Matthew A. Lieber, August 24, 2020, <https://elischolar.library.yale.edu/cgi/viewcontent.cgi?article=15545&context=yafs-documents>.

²⁹ U.S. Department of the Treasury, “Troubled Asset Relief Program (TARP),” <https://home.treasury.gov/data/troubled-asset-relief-program>.

4. Year-over-year core PCE inflation stands at 2.8 percent today³⁰ – higher than the roughly 1.8 percent average during your time as Fed Governor³¹ – yet you now support rate cuts rather than the hawkish stance you maintained then. How do you reconcile this shift in position given that inflation is actually higher and unemployment lower now?
 - a. Please provide empirical evidence to support your answer.

5. In 2019, the Fed rolled back capital and liquidity rules, stress testing, resolution planning, and other safeguards for banks with \$100 billion-\$700 billion in assets.³² The level of deregulation in this rule went beyond what was mandated by Congress in the Economic Growth, Regulatory Relief, and Consumer Protection Act.
 - a. Do you believe that material stress at, or the failure of, banks with \$100 billion-\$700 billion in assets can threaten the stability of the U.S. financial system?
 - b. Do you believe that the 2019 rule played *any* role in the 2nd, 3rd, and 4th largest bank failures in U.S. history in Spring 2023? If not, do you believe it was a coincidence that the banks that failed in 2023 were the exact type of banks deregulated in 2019?

6. In 2020, you stated big bank stress tests implemented in the aftermath of the financial crisis were “quite useful” and “helpful for [regulators] to understand what these banks could survive...and helpful for markets so they’d have a better understanding of what’s in the four walls of the institutions.”³³ You continued to say that over time, “the stress tests became part of the compliance effort, a repeat take-home test,” and that it’s “especially problematic when the institutions are...backstopped by the US government.” Under both Trump Administrations, the Fed has taken steps to severely weaken stress tests. In 2019, the Fed removed the qualitative objection component from its annual Comprehensive Capital Analysis and Review, which allowed the Fed to stop big-bank shareholder distributions if the firms had deficiencies in their internal capital planning processes.³⁴ Over the past year, the Fed issued proposals undermining the stress capital buffer framework and published the models and scenarios used in stress tests, effectively giving banks the answers to the test.
 - a. Does revealing stress testing scenarios and models undermine the integrity of the exercise and make it “a repeat take-home test”?

³⁰ U.S. Bureau of Economic Analysis, “Personal Income and Outlays, January 2026,” press release, <https://www.bea.gov/news/2026/personal-income-and-outlays-january-2026>.

³¹ FRED, Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis, “Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index) [PCEPILFE],” <https://fred.stlouisfed.org/series/PCEPILFE>.

³² Board of Governors of the Federal Reserve System, “Federal Reserve Board finalizes rules that tailor its regulations for domestic and foreign banks to more closely match their risk profiles,” press release, October 10, 2019, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191010a.htm>.

³³ Yale School of Management, Program on Financial Stability, “YPFS Lessons Learned Oral History Project: An Interview with Kevin Warsh,” Kevin Warsh and Matthew A. Lieber, August 24, 2020, <https://elischolar.library.yale.edu/cgi/viewcontent.cgi?article=15545&context=yfps-documents>.

³⁴ Center for American Progress, “Tailoring Banking Regulations to Accelerate the Next Crisis,” Gregg Gelzins, May 16, 2019, <https://www.americanprogress.org/article/tailoring-banking-regulations-accelerate-next-crisis/>.

7. In a Wall Street Journal op-ed, you urged Fed leadership to get on board with Vice Chair for Supervision Michelle Bowman’s wholesale deregulatory agenda.³⁵ Vice Chair Bowman has spent the past year attacking bank supervision, slashing megabank leverage requirements, and weakening stress tests.³⁶ Which parts of Vice Chair Bowman’s agenda do you agree with? Are there any components with which you disagree?
8. Last November, the bank regulators finalized a major rollback of a core post-2008 safeguard – the enhanced supplementary leverage ratio – cutting required loss-absorbing capital requirements, by more than \$200 billion and letting the eight biggest banks fund larger balance sheets with more borrowed money.³⁷ Regulators recently proposed further cuts to firms’ risk-based capital requirements. Does allowing banks to load up on even greater debt increase or decrease the likelihood of their failure?
9. Under Vice Chair Bowman’s leadership, the Fed has taken a series of actions to slash examiner staff, drastically limit their ability to identify deficiencies, and inflate banks’ supervisory ratings.³⁸
 - a. Do you support Vice Chair Bowman’s plans to cut roughly 30 percent of the staff in the Division of Supervision & Regulation?
 - b. The Fed finalized a rule that would weaken the supervisory rating framework for big banks. Under the rule, banks with managerial weaknesses would be permitted to engage in riskier activities and supervisory deficiencies would be allowed to fester. How should the Fed monitor and enforce corrective action if deficiencies are allowed to persist?
10. In July 2025, the banking agencies proposed a rescission of the 2023 Community Reinvestment Act final rule and have weakened enforcement of fair lending laws.³⁹
 - a. Do you believe decades of redlining inflicted severe harm on communities of color and low-and moderate-income communities?
 - b. Do you believe redlining and other discriminatory lending practices are still a problem in the banking system? If so, why erode protections that help prevent such practices?
 - c. Do you believe that the 1995 CRA guidelines are sufficient to ensure financial institutions meet the credit needs of the communities in which they do business?
 - d. What, if any, components of the 2023 rule do you think were valuable and provided meaningful improvements to the CRA framework?

³⁵ The Wall Street Journal, “The Federal Reserve’s Broken Leadership,” Kevin Warsh, November 16, 2025, <https://www.wsj.com/opinion/the-federal-reserves-broken-leadership-43629c87>.

³⁶ The New York Times, “The Fed Is Cutting Bank Oversight. Critics See Risks,” Colby Smith and Stacy Cowley, November 17, 2025, <https://www.nytimes.com/2025/11/17/business/fed-bowman-bank-oversight.html>.

³⁷ Financial Times, “Wall Street to trump Main Street with new bank rules,” Sheila Bair, July 18, 2025, <https://www.ft.com/content/553c0b1a-33d0-4b6c-a048-3a11064f5d3b>.

³⁸ The New York Times, “The Fed Is Cutting Bank Oversight. Critics See Risks,” Colby Smith and Stacy Cowley, November 17, 2025, <https://www.nytimes.com/2025/11/17/business/fed-bowman-bank-oversight.html>.

³⁹ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, “Agencies issue joint proposal to rescind 2023 Community Reinvestment Act final rule,” press release, July 16, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250716a.htm>.

11. Under the Trump Administration, the Fed and other bank regulators have shown a willingness to rubber stamp anticompetitive mergers that raise costs for consumers and risk the stability of our financial system.⁴⁰
- a. Has bank consolidation made the Too-Big-To-Fail problem worse?
 - b. Do you believe consumers and small businesses have been well-served by the substantial increase in consolidation of the banking sector over the last four decades?

Sincerely,



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

⁴⁰ U.S. Senate Committee on Banking, Housing, and Urban Affairs, “Warren, Waters Demand Fed Reconsider Its Decision to Rubber Stamp Dangerous Capital One-Discover Merger,” press release, May 2, 2025, <https://www.banking.senate.gov/newsroom/minority/warren-waters-demand-fed-reconsider-its-decision-to-rubber-stamp-dangerous-capital-one-discover-merger>.