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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

June 24, 2025

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Chair Powell:

We look forward to your appearance before the Senate Committee on Banking, Housing and Urban Affairs on June 25, 2025, to present the Board of Governors of the Federal Reserve System's ("Federal Reserve's") semiannual Monetary Policy Report. We write to preview topics for you to address during this hearing. Including, the Federal Reserve's spending on lavish renovations, the agency's politicization, and the need to empower newly confirmed Vice Chair for Supervision, Governor Michelle Bowman.

Over the course of the Biden administration, Americans suffered from inflation, rising costs, and high interest rates. Families were spending record amounts just to put food on the table, with card and auto loan delinquency rates spiked to their highest levels since the 2008 Financial Crisis. At the same time Americans are struggling to put food on the table, the Federal Reserve has been spending billions of dollars on the renovation of two of its offices in Washington, D.C. Multiple media outlets have reported that these renovated buildings will include amenities that average Americans could never dream of – rooftop garden terraces, ornate water features, new elevators that drop board members off directly in their VIP dining suite, use of white marble, rooftop Italian beehives, and a private art collection in the basement.

The Federal Reserve initially justified this renovation project as designed to address a backlog of necessary upgrades for changes in building codes and information technology requirements, at an initial estimated cost of \$1.9 billion. Since 2021, this cost estimate has ballooned by 32% and is now estimated to cost \$2.5 billion. The Federal Reserve has blamed this significant increase in cost on the cost of building materials far exceeding the standard cost escalations. We do not find this justification sufficient, especially considering that this lavish

renovation is being done at a time when the Federal Reserve has not made a profit since 2022.¹ During your testimony on June 25th, please provide us with more information justifying the cost of this renovation project, including why the cost has increased and who approved the lavish design choices.

Additionally, the Federal Reserve is supposed to be an agency that plays a critical role in the function of our government and the global economy and therefore must be not only fiscally responsible but also free from politics. But, as we discussed during your last testimony before the Committee in February, the Federal Reserve in recent years has been susceptible to political pressure. For example, the Federal Reserve's position on so-called "climate" issues has flip flopped based on the party in power. The agency joined the Network for Greening the Financial System as President Biden took office yet pulled out of that organization as President Trump returned to power.

We appreciate that the Federal Reserve announced on June 23rd that reputational risk will no longer be a component of examination programs in its supervision of banks. Removing reputational risk from bank supervision is a necessary first step in ending politicization at the Federal Reserve. But, the agency needs to ensure that examiners implement this change so that politics is truly rooted out of bank supervision.

In addition to removing politics from Federal Reserve supervision, there is significant work ahead to right-size the regulatory framework for financial institutions. Banks are facing a record number of regulations. Small community banks are especially burdened by compliance costs and are increasingly priced out of growth due to the ever-increasing costs and obligations. The Federal Reserve and other federal financial regulators therefore must streamline and modernize the rules governing financial institutions.

The Federal Reserve should start with crafting a regulatory environment that does not disproportionately impact small banks and ensures there is transparency and accountability in supervision. Bank capital requirements should also be appropriately calibrated, so banks are not forced to park capital on the sidelines, therefore limiting access to capital for Americans and small businesses.

Thus, Vice Chair for Supervision Michelle Bowman's work reassessing current Federal Reserve regulations and supervisory practices to curb politicization and right-size the regulatory framework for financial institutions will be critical. Vice Chair Bowman has been an important voice on the Federal Reserve Board in pushing back on burdensome rules and regulations that stifle economic opportunity, and we expect that she will continue this vital work as Vice Chair for Supervision.

To that end, we expect you to afford Governor Bowman the same deference and stature as you afforded her predecessor Vice Chairs. For example, after the 2023 bank failures, you noted in a press conference that Congress established the position of Vice Chair for Supervision to set the Federal Reserve's agenda for

¹ Last year the Federal Reserve posted operating losses of \$77.5 billion.

supervision and regulation, and that you respect the authority that Congress has deferred to that position. Additionally, after Randy Quarles's term as Vice Chair for Supervision expired you noted that you welcomed "a new person to come in and look at the current state of regulation and supervision and suggest appropriate changes." We hope you will continue to support the authority Congress vested in the Vice Chair for Supervision, and welcome Governor Bowman's vision for the Federal Reserve's regulatory and supervisory agenda.

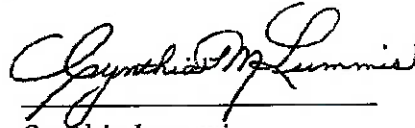
We look forward to hearing from you about the role that Governor Bowman will play as Vice Chair for Supervision and the Federal Reserve's plans for regulatory reform and to remove politics from bank supervision.

We appreciate your attention to these important matters and look forward to your upcoming testimony.

Sincerely,



Tim Scott
Chairman



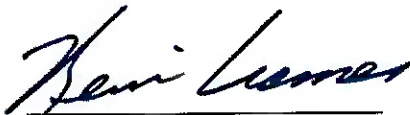
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