Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2017

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2017 (FY17).

OUR NATION'S FISCAL CHALLENGE

America is on a collision course with a fiscal crisis that will result in national insolvency, unless Congress and the President work together to get government spending under control. Yet since President Obama took office, a record $8.3 trillion has been added to our nation's debt, solely because Washington continues to spend money that we do not have. According to the Congressional Budget Office's (CBO) latest estimates, over the next decade the federal government will run a $9.4 trillion deficit; in fact, the nominal deficit will rise for the first time after six straight years of falling from its record peak dubiously achieved by President Obama and a Democrat-led Congress in 2009. Even if current law were to remain as it is today, CBO estimates that beyond the next 10 years, "the pressures that had contributed to rising deficits during the baseline period would accelerate and push debt up even more sharply." That is unacceptable, unsustainable, and it will condemn Americans to a future of fewer opportunities, less economic freedom, and a lower standard of living.

Contrary to the self-congratulatory tone of President Obama's recent State of the Union address, the truth is the American people are stuck in the slowest economic recovery of the last 70 years. Too many are still out of work; many of those who are fortunate to be employed are struggling with smaller paychecks. In fact, no modern presidency has been worse for average Americans' incomes. After seven years of failed economic policies, middle-income families are actually earning less than they did in 2009, 13 million more Americans have become dependent on food stamps, and almost seven million Americans have fallen into poverty. It is not surprising, then, that despite President Obama's rhetoric, the reality is that Americans are pessimistic and anxious not only about the state of the national economy but also their own personal economy.

Yet instead of trying to work with Congress to rein in spending and put our nation onto a sustainable fiscal path, President Obama's idea of fiscal responsibility has been to simply call for more spending and higher taxes that grows Washington's economy at the expense of the Main Street economy. Ending this culture of profligate spending – and the routine of blithely passing the bill for it on to our children – represents our nation's fiscal challenge, and combatting it is our moral responsibility.

THE DODD-FRANK ACT

Regulatory Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), signed into law on July 21, 2010, was the most sweeping overhaul of the regulatory structure of our financial system in more than a generation. The Dodd-Frank Act made significant changes to the federal regulatory regime covering banking, securities, insurance, mortgages, systemic risk, and consumer protection, and mandated upwards of 400 separate rulemakings, most of which missed their statutory deadlines for completion and many of which have yet to be finalized.

Funding Level: N.A.

Committee's View: The Committee remains gravely concerned that the Dodd-Frank Act has failed to achieve its proponents' stated goals of promoting the financial stability of the United States, ending "too big to fail" and taxpayer bailouts, and protecting consumers from abusive financial services practices. Instead, the Committee believes that the Dodd-Frank Act has endangered taxpayers and our economy by enshrining "too big to fail" in statute, creating endless new regulatory mandates from Washington that have resulted in fewer and more expensive choices for consumers and small businesses, increased moral hazard in markets by failing to address the true causes of the financial crisis, and hampered economic growth. The Committee intends to advance legislative proposals to replace the failed aspects of the Dodd-Frank Act with free-market alternatives that end bailouts once-and-for-all, restore market discipline, ensure that the financial system is more resilient, pare back unnecessary and burdensome regulations, encourage capital formation and economic growth, and protect consumers by preserving financial independence and consumer choice.

Orderly Liquidation Authority

The Orderly Liquidation Authority, established under Title II of the Dodd-Frank Act, gives the Federal Deposit Insurance Corporation (FDIC) the authority to resolve non-bank financial institutions whose failure government officials believe might pose a threat to the financial stability of the United States.

Funding Level: N.A.

Committee's View: The Committee continues to have strong objections to the Dodd-Frank Act's Orderly Liquidation Authority and the proposed manner in which such authority would be implemented. Specifically, the Committee rejects the notion that taxpayers are protected from future bailouts by the Orderly Liquidation Authority, under which the FDIC may borrow from the Treasury to capitalize an "Orderly Liquidation Fund" to be used to pay off the creditors of a failed firm. The Committee believes the Orderly Liquidation Authority thus perpetuates the government guarantee enjoyed by creditors during the recent financial crisis, which entrenched the "too big to fail" problem and placed taxpayers on the hook for multi-billion dollar bailouts of large financial institutions. Accordingly, the Committee supports replacing the Orderly Liquidation Authority with established bankruptcy procedures, wherein shareholder and creditor claims are resolved pursuant to the rule of law rather than the arbitrary discretion of regulators. Although the proponents of the Orderly Liquidation Authority point to provisions in Title II which authorize the FDIC to recoup costs from large financial institutions through *post hoc* assessments, CBO has previously estimated that repealing Title II would achieve savings of $22 billion between fiscal years 2012 and 2022.

<u>Office of Financial Research</u>

The Office of Financial Research (OFR), established under Title I of the Dodd-Frank Act, is an office housed within the Treasury Department that supports the Financial Stability Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of the United States. Thus, the OFR collects information and standardizes data for the FSOC and other financial regulatory agencies, performs applied and long-term research, and develops tools for risk measurement and monitoring.

<u>Funding Level:</u> The OFR is funded outside of the appropriations process through assessments levied on large financial companies. According to its 2014 Annual Report, the OFR's estimated FY15 budget was $99.5 million. The President's Budget for FY16 anticipated that OFR would incur obligations of $127 million for FY16, while noting that the OFR estimated significant unobligated balances of $83 million for FY15 and $92 million for FY16.

<u>Committee's View:</u> The Committee remains concerned about the scope and potential for misuse of the OFR's powers as well as Congress's limited oversight of the OFR and its funding. Thus, the Committee will continue to pursue proposals to promote greater accountability and taxpayer transparency for the OFR, including proposals to subject its funding to the Congressional appropriations process. In 2015, the Committee favorably reported H.R. 3738, the Office of Financial Research Accountability Act of 2015, which would subject the OFR to a hybrid annual appropriations process under which it would collect assessments to pay for expenses following congressional approval of the OFR's budget. The Committee also commends the inclusion of language in the FY16 Consolidated Appropriations Act (P.L. 114-113) requiring the OFR to submit quarterly reports to the Committee regarding its activities and budget and providing the Committee with the opportunity to obtain the OFR's testimony on these reports

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the Dodd-Frank Act to regulate providers of credit and other consumer financial products and services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that includes consumer protection functions transferred from seven different federal agencies, and the authority to write rules, supervise compliance, and enforce all consumer protection laws and regulations other than those governing investment products regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission.

Funding Level: The CFPB does not receive appropriations; instead, it draws its funding from a defined portion of the combined earnings of the Federal Reserve System, adjusted annually for inflation. For FY16, by statute the CFPB may receive up to $631.7 million. The CFPB's budget authority is further enhanced by unobligated balances brought forward from prior fiscal years.

Committee's View: Although established within the Federal Reserve System, the Dodd-Frank Act makes clear that the CFPB is an "independent bureau" and assigns no role to Congress or the Federal Reserve System in overseeing its budget or use of funds. The effect of the CFPB's unorthodox budgetary treatment is that every dollar it draws directly reduces the Federal Reserve System's annual remittances to the Treasury, thus lowering the amount by which such remittances may be used to decrease the federal deficit.

The Committee continues to believe that the CFPB's structure and funding make it uniquely unaccountable to the President, the Congress, and the American people. History shows that agencies shielded from accountability are prone to abuse their authority, and the CFPB is no exception. Accordingly, the Committee will continue to promote measures that lead to greater transparency and accountability at the CFPB by considering legislation to reform the CFPB's operations and structure, including by subjecting the CFPB to Congressional appropriations. In 2015, the Committee favorably reported H.R. 1266, the Financial Product Safety Commission Act of 2015, which would replace the CFPB's director with a bipartisan five-member commission, appointed by the President and confirmed by the Senate, and urges its swift enactment.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission's (SEC) three-part mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC staff and its five commissioners guide SEC policy by interpreting the Federal securities laws, proposing new rules as warranted by market developments or Congressional mandates, amending existing rules, and overseeing SEC enforcement actions.

Funding Level: $1.605 billion in FY16 appropriations. By law, the SEC is required to fully offset Congressional appropriations by adjusting its securities transaction fees so that its funding is deficit-neutral. It also has the authority to carry over unspent funds from the previous fiscal year; pursuant to this authority, it carried over $51 million from FY15 to FY16. The SEC can also spend up to $75 million in FY16 from its Reserve Fund created under Section 991 of the Dodd-Frank Act. Combined, the SEC's total spending authority for FY16 is $1.731 billion, $9 million more than the Administration's FY16 request.

Committee's View: The Committee remains concerned that despite receiving significant annual appropriations increases, the SEC has neither met statutory deadlines for the issuance of rulemakings nor improved its annual examination rates for investment advisers. Instead, the SEC has prioritized other objectives that are not central to its mission. For example, the SEC has expended thousands of man-hours and tens of millions of dollars in pursuit of Dodd-Frank Act mandates unrelated to the causes of the financial crisis while its capital formation objectives languish. The Committee rejects the SEC's assertion, made in connection with its preliminary request to the Office of Management and Budget (OMB) for $1.882 billion for FY17, that it is significantly underfunded; the SEC should instead focus existing resources on fulfilling its three-part mission.

Additionally, the Committee continues to be concerned about both the SEC's ability to carry-over unspent funds and the SEC's Reserve Fund. The Reserve Fund, which is authorized to carry a balance of up to $100 million (from which the FY16 Consolidated Appropriations Act rescinded $25 million for FY16), is supplemental funding that the SEC can access without congressional approval; eliminating it would generate significant budget savings for taxpayers. In 2016, the Committee will also seek to advance legislation to reform the SEC's operations and structure. For example, in 2015, the Committee favorably reported H.R. 3868, the Small Business Credit Availability Act, which would modernize the regulatory regime for business development companies (BDCs). H.R. 3868 would fill a lending vacuum and provide much-needed credit to small and middle market companies, thereby generating economic growth.

GOVERNMENT SPONSORED ENTERPRISES

The Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, are government-chartered public companies that purchase mortgages from lenders and package them into mortgage-backed securities, which they guarantee and sell off to investors. The GSEs have been in conservatorship under the auspices of their regulator, the Federal Housing Finance Agency, since their financial collapse in September 2008.

Funding Level: N.A.

<u>Committee's View</u>: More than seven years have passed since the bursting of the housing bubble and the GSEs' financial implosion, and the Committee remains extremely concerned about the continued risk that the GSEs pose to taxpayers, especially through their expanded activities and the further consolidation of their dominant market share. Despite recent improvements to their corporate balance sheets, the GSEs' model is inherently flawed and unsustainable without taxpayer support. Accordingly, the Committee continues to support legislative initiatives to wind down the GSEs' operations, repeal their charters, and replace their failed business model with a sustainable, private housing finance system that protects taxpayers, enhances consumer choice in mortgage financing, encourages private sector investment and innovation, and eliminates moral hazard. The CBO has previously estimated that gradually winding down the GSEs would produce significant taxpayer savings and decrease direct spending by almost $6.7 billion over the next ten years.

In the interim, the Committee urges Congress to adopt a realistic budget treatment of the assets and liabilities of the GSEs. Doing so includes preventing the misuse of the proceeds of the guarantee fees charged by the GSEs to investors; such funds are an important risk mitigation tool to better protect the GSEs and taxpayers from future losses, and should not be diverted to finance unrelated government programs or initiatives. Additionally, the Committee strongly recommends that OMB move the GSEs to an "on budget" accounting standard, as CBO has already done, to provide a more transparent accounting of their true impact on the federal budget.

FEDERAL RESERVE SYSTEM

The Federal Reserve System, which serves as the nation's central bank, was created by Congress in 1913. It performs several functions in our economy, and its Board of Governors is responsible for supervising and regulating a variety of financial institutions and activities, as well as conducting monetary policy pursuant to a statutory mandate to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates."

<u>Funding Level:</u> N.A.

<u>Committee's View:</u>
The Committee remains concerned about the expanded regulatory mission of the Federal Reserve and the inability of the Board of Governors to articulate clear guidance for how it plans to conduct monetary policy. Over-reliance on the Federal Reserve to manage virtually every aspect of the U.S. economy runs the risk of compromising the Fed's

independence and placing taxpayers at greater risk in the event that regulatory failure by the Federal Reserve contributes to another significant or prolonged economic downturn. Accordingly, the Committee supports legislation such as H.R. 3189, the Fed Oversight Reform and Modernization Act of 2015, passed by the House in 2015 to strengthen the Federal Reserve's ability to achieve monetary policy outcomes consistent with its statutory mandates, bring more transparency to the Federal Reserve's efforts to achieve those mandates, and protect the Federal Reserve from undue influence by the Executive Branch in setting monetary policy. Although CBO has estimated that enacting H.R. 3189 would reduce revenues by $109 million over the 2016-2025 period by reducing the Federal Reserve's remittances to the Treasury, the Committee believes that achieving a more stable and rules-based monetary policy would yield much larger benefits for taxpayers and our entire economy.

OUR OBLIGATION TO THOSE IN NEED

Current federal housing policy is fractured, costly, and inefficient: the Government Accountability Office found in 2012 that 20 different federal government entities administer 160 programs, tax expenditures, and other tools that support homeownership and rental housing.[1] In particular, the Department of Housing and Urban Development (HUD) has received approximately $1.655 trillion in real (2014) dollars in appropriations over its 50 years of existence and today spends over $45 billion annually on at least 85 active programs. Nevertheless, the national poverty rate has remained essentially unchanged from 14.7 percent in 1966 to 14.8 percent in 2014.[2]

Funding Level: $42.842 billion in 2014 budget authority under OMB's Subfunction 604: Housing Assistance designation

Committee's View: For all its good intentions, the federal government's public policy response to the very real housing needs of low and middle-income Americans has fallen far short of success. Federal housing programs and policy are failing to keep pace with housing need because they are not designed to address the root *cause* of housing need: the underlying problem of generational poverty. It is simply insufficient to provide limited subsidy dollars to those trapped in poverty and claim success for either the beneficiary of such assistance or the taxpayers that have been asked to continue funding such efforts.

Accordingly, the Committee believes we must reform and innovate how we provide assistance for housing in the 21st century with a higher purpose than simply perpetuating

[1] Government Accountability Office, GAO-12-342SP, 2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and enhance Revenue pp. 186-194 (February 2012).
[2] Census Bureau, "Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2014" (March 2015), *available at* http://www.census.gov/hhes/www/poverty/data/historical/hstpov2.xls

programs that ultimately warehouse and marginalize poor families and communities; otherwise, this country will continue to fail the very people who are in the most need. In 2016 and beyond the Committee intends to consider transformative legislation to develop new strategies to address housing need that are premised on fighting the root causes of poverty and maximizing individual choice. The Committee will investigate more efficient ways to deliver housing assistance within existing budget limitations with the goals of helping people move from poverty to self-sufficiency, reforming HUD's mission and streamlining its complex bureaucratic web of programs, and developing meaningful innovations to assist communities and neighborhoods in spreading economic prosperity to all. Additionally, the Committee believes we must evaluate public policies not by the good intentions of their proponents but by the results they produce, and will work to develop more meaningful metrics for programmatic success based on how many people are graduated from federal assistance to economically self-sufficient lives.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mission and Modernization

Established in 1965, HUD is a cabinet-level agency that has principal responsibility for implementing and overseeing federal housing assistance programs. HUD administers a wide variety of programs, such as rental assistance programs for lower-income families, the Federal Housing Administration's (FHA) mortgage insurance programs, the Government National Mortgage Association's (Ginnie Mae) mortgage-backed securities program, fair housing programs, and programs that aid community and neighborhood development and preservation.

Funding Level: $47 billion in FY16 budget authority (This total does not include offsetting receipts from FHA and Ginnie Mae, which lowered the congressionally appropriated cost for funding HUD by roughly $8 billion in FY16.)

Committee's View: Despite more than $1.655 trillion in total lifetime appropriations, HUD remains overly bureaucratic, fails to set priorities that define its mission, and does not deliver measurable results. HUD retains 7,812 full-time employees across several departments. The need for such a substantial workforce is not apparent in light of the fact that nearly 80 percent of HUD's budget remains dedicated to administering three core rental assistance programs – Tenant-Based Section 8, Project-Based Section 8 and Public Housing – and because most HUD programs are renewal or formula-based. In fact, the Congressional Research Service has estimated that 95 percent of HUD's FY15 discretionary budget of $45.3 billion was devoted to renewing contracts or providing grants through existing formulae. HUD is also plagued by inefficient, outmoded programs and an inability to spend appropriated funds in a timely manner, which results in huge backlogs of unexpended taxpayer funds while the real needs of constituents go unmet.

The Committee believes that HUD is in need of an organizational overhaul and a modernized mission to fight the root causes of poverty. HUD should be restructured to optimize the alignment of its various divisions and consolidate overlapping and duplicative programs, as well as to ensure the efficient utilization of its human capital. Such reforms would both result in greater budget savings for taxpayers and allow for assistance to be targeted to individuals with the most acute need.

Section 8 Housing Assistance

The Section 8 program provides housing assistance to over three million low-income families and individuals each year through two elements: tenant-based rental assistance and project-based rental assistance. Tenant-based rental assistance vouchers are portable subsidies that low-income individuals can use to offset part of their rent in the private market with any participating housing provider. By contrast, project-based rental assistance is a subsidy attached to a unit of privately-owned housing that houses low-income tenants; if the family moves, the subsidy remains with the unit of housing.

Funding Level: $19.628 billion in FY16 appropriations for tenant-based Section 8 assistance and $10.622 billion in FY16 appropriations for project-based Section 8 assistance

Committee's View: While changes to the voucher funding formula over the last decade have increased voucher usage and efficiency, comprehensive reform is still needed. The Committee believes that the public is better served not by expanding Section 8 but by reforming the program to target need so that public housing authorities can serve more people within existing funding levels. In 2016, the Committee will continue to consider reforms to Section 8 and other assisted housing programs, including those contained within H.R. 3700, the Housing Opportunity through Reform Act, in order to identify and implement more efficient uses of taxpayer funds and to better help individuals achieve greater self-sufficiency wherever possible.

Public Housing

Public housing is an affordable rental housing program that is administered by HUD in conjunction with local-level public housing authorities, which are under contract to HUD and own and manage public housing properties. HUD funds the roughly 1.2 million unit program through two formula grants—the Public Housing Capital Fund and the Public Housing Operating Fund.

Funding Level: $6.275 billion in FY16 appropriations

Committee's View: Over the past two decades, despite the investment of tens of billions of dollars in the development and maintenance of public housing units, the quality of such units continues to deteriorate. The Committee recognizes that this trend is not sustainable and that new approaches to public housing are necessary, including the implementation of alternative means to finance affordable housing development. To make more capital available to maintain and rehabilitate public housing, the Committee continues to support the concept of the Rental Assistance Demonstration (RAD) program. RAD permits public housing authorities to partner with local developers, property owners, and nonprofit organizations to preserve affordable housing units that would otherwise fall into disrepair, become uninhabitable, and eventually leave the affordable housing stock. When implemented properly, RAD could streamline HUD's rental assistance programs, increase resident choice, and improve resident mobility.

Native American Housing

Federal grant and loan guarantee funding for housing assistance to Native American tribes is primarily provided through the Native American Housing and Self-Determination Act (NAHASDA).

Funding Level: $650 million in FY16 appropriations

Committee's View: In 2015, the House passed H.R. 360, the Native American Housing Assistance and Self-Determination Reauthorization Act of 2015, which, if enacted into law, would strengthen taxpayer protections and tribal accountability within NAHASDA. H.R. 360 would give HUD the authority to recoup unexpended funds, allow tribes to pursue alternative funding sources by encouraging private investment, and provide Native American tribal governments with greater efficiencies when deploying NAHASDA funds. In the 113th Congress, CBO estimated that legislation similar to H.R. 360 would not increase direct spending or revenues. The Committee continues to support the goals of H.R. 360, and urges its swift enactment in 2016.

Rural Housing

The Rural Housing Service (RHS) is a federal agency housed in the Department of Agriculture that provides direct loans, guaranteed loans, and grants to help low-to-moderate income families obtain affordable housing in rural areas.

Funding Level: $25.148 billion in FY16 total loan authorizations, including:

- Section 502 Single Family Guaranteed Loans: $24 billion in FY16 loan authorizations
- Section 502 Single Family Direct Loans: $900 million in FY16 loan authorizations
- Section 521 Rental Assistance: $1.39 billion in FY16 loan authorizations
- Section 538 Multifamily Guaranteed Loans: $150 million in FY16 loan authorizations
- Section 515 Multifamily Direct Loans: $28.4 million in FY16 loan authorizations
- Section 542 Rural Voucher Assistance: $15 million in FY16 loan authorizations

Committee's View: The Committee continues to monitor the RHS's stewardship of its multifamily lending initiatives, especially the increasingly problematic interplay between its Section 515 loan program to finance the construction of affordable multifamily housing and its Section 521 Rental Assistance Grant Program under which owners may reduce the rent burdens of tenants in such housing. Due to loan maturation and RHS's mismanagement of its Section 515 portfolio, some lower-income tenants are now losing the benefit of Section 521 rental assistance grants formerly made to their property's owner. As a result, as many as 800 multifamily properties in FY16 ended up without sufficient rental assistance to complete the fiscal year, creating a significant rental shortfall for which RHS failed to budget; Congress was forced to address the shortfall in the FY16 Consolidated Appropriations Act. An increasing number of Section 515 loans will soon reach maturity; the Committee is concerned that the RHS may not be capable of managing the risks associated with its multifamily lending initiatives and that the RHS will again experience a rental assistance shortfall. Thus, the Committee intends to explore new ways to incentivize private capital to develop affordable and workforce housing in rural areas to help avoid any new funding crises with the RHS.

FEDERAL HOUSING ADMINISTRATION

The FHA is an agency within HUD that insures private mortgage lenders against the risk that borrowers might default on single-family or multi-family mortgages.

<u>Funding Level:</u> $400 billion in FY16 single-family loan commitment authority

<u>Committee's View:</u> While noting that on November 16, 2015, the FHA achieved its 2 percent statutorily-required capital reserve ratio after violating the law for seven years, the Committee remains concerned about FHA's expanded footprint in the marketplace and more than $1 trillion in mortgage credit risk. In fact, were it not for the FHA's volatile reverse mortgage program, the FHA single-family loan portfolio would still be below the required 2 percent threshold. For years, the Committee has cautioned the FHA about attempting to grow its way out of its budget shortfalls instead of strengthening its underwriting and capital requirements. To better protect taxpayers, the Committee will continue to review the FHA's activities and consider various proposals to give the FHA a more clearly defined mission in a sustainable housing finance system that complements, not crowds out, a robust private mortgage market.

NATIONAL FLOOD INSURANCE PROGRAM

Created by Congress in 1968, the National Flood Insurance Program (NFIP) provides federally-backstopped flood insurance to 5.3 million policyholders and over $1.3 trillion in insurance coverage. Currently, the NFIP has an outstanding debt of $23 billion borrowed from taxpayers, with $7.425 billion remaining of its total temporary $30.425 billion Treasury borrowing authority.

Funding Level: N.A.

Committee's View: The Committee remains greatly concerned that there is little to no private sector alternative to the NFIP, exposing taxpayers to virtually all of the nation's insured flood risk. In 1968, Congress recognized that the inherent challenges of managing flood risk were too great for the private sector and that no viable private sector insurance alternative existed. But 47 years later, given the dynamics of the market and the information now available, the Committee believes the biggest impediment to the development of a private flood insurance market is the subsidized monopoly of the NFIP. The Committee will explore legislative initiatives to facilitate the establishment of a private flood insurance market that serves the needs of all Americans and reduces the significant financial risk faced by taxpayers.

EXPORT-IMPORT BANK

The Export-Import Bank is an independent agency that provides taxpayer-backed export financing through various loan, guarantee, and insurance programs.

Funding Level: $106.25 million in FY16 appropriations for administrative expenses and $6 million in FY16 appropriations for the Office of Inspector General

Committee's View: Given the Export-Import Bank's recent reauthorization through September 30, 2019, the Committee will continue to conduct rigorous oversight of the Bank's operations and governance to protect taxpayers from risk associated with the Bank's operations, ensure the Bank complements rather than supplants the private market, and eliminate waste, fraud, and abuse within or affecting the Bank. Additionally, the Committee remains concerned that the application of government accounting standards under the Federal Credit Reform Act fails to fully account for the risks borne by the Export-Import Bank and supports the use of a more comprehensive accounting regime to determine the Export-Import Bank's cost to taxpayers.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs) provide concessional lending and grants to the world's poorest countries and engage in non-concessional lending to low and middle-income creditworthy countries.

Funding Level:

- International Development Association: $1.20 billion in FY16 appropriations
- International Bank for Reconstruction and Development: $186.96 million in FY16 appropriations
- Inter-American Development Bank: $102.02 million in FY16 appropriations
- Asian Development Bank (includes Asian Development Fund): $110.59 million in FY16 appropriations
- African Development Bank (includes African Development Fund): $209.79 million in FY16 appropriations

Committee's View: In the past, the U.S. has determined the level of its support to MDBs through pledges made by the Treasury Department on behalf of the U.S. to international organizations, which are subsequently considered and funded by Congress through the appropriations process. The Committee notes that, relative to Congress's willingness to appropriate funds in support of the MDBs, the Administration has previously over-committed the United States in pledges to such entities. Therefore, the Committee recommends that the Administration refrain from making commitments that the U.S. is not prepared to honor. The Committee urges Treasury to strongly advocate that governments receiving assistance from the MDBs refrain from human rights abuses and corrupt activities as a condition of continued funding. The Committee also believes that the MDBs should undertake rigorous program evaluations to ensure that U.S. taxpayer contributions are not squandered on ineffective initiatives.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) seeks to ensure the stability of the international monetary system and provides loans to countries that are experiencing actual or potential balance of payment problems. The IMF also provides technical assistance to low- and middle-income countries intended to help such countries effectively manage their financial affairs.

Funding Level: Increase of U.S. quota in an amount equal to 40,871,800,000 Special Drawing Rights. (Congress also rescinded an equivalent amount from the IMF's "New Arrangements to Borrow" program, which is a set of credit arrangements between the IMF and certain member countries used to supplement IMF quota resources for lending purposes.)

Committee's View: The Committee will monitor the operations of the IMF's lending programs to ensure that Treasury is managing risk effectively and securing the timely repayment of taxpayer funds. The Committee urges the Administration to advocate for greater fiscal discipline and budget transparency in countries borrowing from the IMF.

Fighting the Funding of Terrorism

The Office of Terrorism and Financial Intelligence (OTFI) coordinates the Treasury Department's efforts to stop the financing of terrorism, money laundering, and similar financial crimes, principally through its Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN). As part of OTFI, OFAC administers U.S. sanctions against drug traffickers, human rights abusers, and rogue nations, while FinCEN receives, analyzes, and makes available to law enforcement data reported by financial institutions on activities that potentially indicate violations of the law.

Funding Level: OTFI received $117 million in FY16 appropriations and FinCEN received $113 million in FY16 appropriations

Committee's View: The Committee appreciates the importance of greater diligence in fighting the funding of terrorism and other financial crimes in a global, increasingly digital banking system. That is why the Committee empaneled its bipartisan Task Force to Investigate Terrorism Financing in 2015, and again in 2016, to review the tools and policies currently in place to spot and block the illegal flow of funds. Similarly, the effective use of international financial sanctions remains an important tool for conducting diplomacy and combating drug smuggling and human rights violations. Thus, the Committee supports responsible efforts to enhance FinCEN's ability to meet the new challenges posed by the growth of threats like ISIS, modernize the technology upon which OFAC relies, and enable both agencies to hire and retain qualified analysts in a competitive workforce environment. Additionally, the Committee believes that funding for the OTFI and OFAC should be split off as separate accounts similar to FinCEN's, and hopes to work with the Committee on Appropriations to enhance transparency on the government's efforts to fight the international funding of illegal activity.

Ensuring Economic Opportunity For All

Federal agencies have undertaken several initiatives to promote greater economic opportunity within the financial services sphere, including pursuant to Section 342 of the Dodd-Frank Act, which established Offices of Minority and Women Inclusion (OMWI) within various federal regulators.

Funding Level: (varied)

Committee's View: The Financial Services Committee maintains an active interest in promoting economic opportunity and increased participation for under-represented populations in the financial services sphere, on both the workforce and supplier sides. The Committee supports appropriate levels of funding for OMWI and other oversight efforts to root out illegal discrimination, including discrimination that has been documented within federal financial regulatory bureaus and agencies.