#7

Amendment to the 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

Offered by Ms. Maxine Waters of California

On page 15 add the following at the end:

Minority Views

The following represent the views of the Democratic Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2017.

February 2, 2016

In the face of significant global headwinds, and too-little cooperation from the Majority in Congress, the American economy under the Obama Administration continues to make significant progress. Indeed, for 70 consecutive months of the Obama Administration, 14.1 million private sector jobs have been created. The unemployment rate has been cut in half from its Great Recession-era peak, and overall unemployment is now down to about 90 percent of its pre-recession average. Long-term unemployment is also experiencing dramatic reductions: in April of 2010, more than 45 percent of the unemployed had been out of work 27 weeks or more; today, that number is around 26 percent.

In short, 2014 and 2015 mark the two strongest years of job creation since the close of the last Democratic Administration, from 1998 to 2000. Meanwhile, the U.S. Gross Domestic Product, or GDP, has increased 14.2 percent and average home prices have climbed back to 2007 levels.

This progress is all the more historic given the gravity of the problems facing the U.S. economy in the aftermath of the financial crisis. Let us not forget that the U.S. economy shed about 820,000 jobs in December of 2008, and the economy lost nearly $13 trillion in household wealth in the last seven quarters of President Bush's term.

This economic recovery is no accident. There is no denying that this rebound is largely due to the efforts of the Obama Administration, Democrats in Congress, and an independent Federal Reserve. We undoubtedly staved off what would have otherwise been a depression, and helped lay the foundation for a solid economy with important legislative achievements including the American Recovery and Reinvestment Act, the Patient Protection and Affordable Care Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Majority's views and estimates (Majority's Views) of the budget for fiscal year (FY) 2017 ignores these achievements. Moreover, it fundamentally misunderstands how we can work to solve several abiding economic problems: income inequality, the racial wealth gap, unacceptably high levels of unemployment for minority communities, and slow wage growth. African-Americans, Latino-Americans, Native Americans and other historically disadvantaged populations (who had a much larger proportion of their wealth in homeownership) are still significantly impaired by the shadow of the foreclosure crisis—in many cases not even close to recouping their enormous losses. The Pew Research Center has found that the current wealth gap between African-Americans and whites has reached its highest point in more than 25 years. The current white-to-Hispanic wealth ratio has reached a level not seen since 2001. Between 2010 and 2013, while the median wealth of white households increased nearly 2.5 percent, to around $140,000 per family, the median wealth gap of African-American and Hispanic households fell 33 percent and 14 percent, respectively. Meanwhile, income inequality still remains far too acute, and nominal wages have remained stagnant for far too many workers.

While we may all agree that these statistics present a grave challenge, the Majority's Views do not evidence a serious attempt to solve them. There is no serious consideration of new ideas to grow the economy, strengthen the middle-class, or fight poverty. Instead, included in the Majority's Views are the same ideas of slashing government funding for the poor and vulnerable, consolidating critical funding streams, or eliminating government programs altogether.

Democrats, in contrast, believe that broadly shared prosperity can only be achieved with new investments, and cannot be accomplished by undercutting the very programs and policies that undergird the American middle-class and provide lower-income Americans with opportunity.

Indeed, the government plays a crucial role in enabling the private sector to thrive, middle-class families to feel secure, and lower-income Americans to achieve economic mobility. This often takes the form of establishing key partnerships with the private sector, non-profits, and state and local governments. For example, in the area of housing, the federal government plays a critical role, from ensuring the continued availability of the affordable, 30-year fixed-rate mortgage, to providing for safe, decent and affordable housing for our nation's most vulnerable seniors, disabled persons, and families. In the area of job creation, the Export-Import Bank, finally reauthorized last year, serves as an essential resource to help American exporters and workers thrive in the face of an increasingly competitive global landscape. And in the area of consumer protection, the Consumer Financial Protection Bureau is creating a level playing field by setting rules-of-the-road for financial firms that previously operated in the shadows, as well as returning more than $11 billion to 25 million Americans who have experienced unfair, deceptive or abusive practices.

These, of course, are just a few of the key examples of agencies and programs within the Committee's jurisdiction that play an indispensable and integral role in building a strong economy that works for all Americans. In the face of significant opposition from the Majority, Democrats on the Committee recognize that important work remains to be accomplished, and we will continue to support policies that ensure that growth and opportunity is broadly shared.

THE NEED FOR HUD AND USDA HOUSING PROGRAMS

It is well established that housing serves as a platform for improving a person's quality of life, from the education and health outcomes of children, to seniors aging in place. And in order to ensure that all Americans have access to safe, decent, and affordable housing, Congress should fully fund the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture's (USDA's) affordable housing programs.

Over the years, our federal housing programs have helped countless families gain access to decent and affordable housing. However, limited funding continues to hamper the reach of these programs. For example, according to the Center on Budget and Policy Priorities, less than one in four families that are eligible for federal rental assistance receive it.

According to HUD's most recent point-in-time (PIT) count, in January 2015 there were 564,708 people homeless on any given night. HUD's report on "worst case" housing needs found that there were 7.7 million very low-income, unassisted families either paying more than half of their monthly income for rent, or living in severely substandard housing, or both. Further, the Urban Institute concluded that the homeownership rate in the U.S. has been declining since the housing boom, and will continue to decrease for at least the next 15 years.

In the richest country in the world, Democrats find it simply unconscionable that so many families struggle to access safe, decent and affordable housing. We also recognize that it is counter to our national economic interest to continue to underfund federal housing programs and ignore the affordable housing needs of this country. It is well established that access to affordable rental housing not only helps families achieve better life outcomes and avoid homelessness, but that it also serves as an important step towards homeownership, which stimulates the national housing market. Numerous studies have shown that it is more costly to taxpayers to allow chronic homelessness to persist, than it is to provide permanent supportive housing for these individuals. Other studies by the Center for Housing Policy found that a lack of affordable housing depresses local economies. Further, given that demographic growth in households will largely be driven by minorities, the Urban

Institute rightly concluded that failing to address the homeownership gap between whites and minorities will have negative implications for America's housing market.

As America continues to recover from the foreclosure crisis, we must renew our commitment to end homelessness in America, we must seek to ensure that every household has access to safe, decent and affordable housing, and we must invest in a long-term strategy that will seek to close the homeownership gap.

HUD'S FEDERAL HOUSING ADMINISTRATION

The Federal Housing Administration (FHA) helps many first-time homebuyers and lower income families achieve homeownership by providing access to federally-backed mortgage insurance. The FHA also promotes long-term stability in the U.S. housing market by playing a counter-cyclical role in the mortgage insurance market. For example, during the housing crisis, the FHA stepped in to fill the gap left by the private sector, helping to keep mortgage credit available. Since then, the FHA's market share has been receding, and the FHA has taken extraordinary steps to build back from losses incurred, including: imposing multiple premium increases, raising down payment requirements for certain borrowers, enhancing underwriting requirements, and increasing enforcement of FHA-approved lenders.

The most recent independent actuarial analysis of the FHA's Mutual Mortgage Insurance Fund (MMIF) showed that the MMIF has reached and exceeded its congressionally mandated capital reserve ratio. Despite Republican criticisms that the FHA's decision to reduce premiums by a relatively small margin in early 2015 was an ill-advised move that would compromise the FHA's already weak financial condition, this analysis demonstrates that the FHA is in a strong financial position, and that it has taken an overall prudent approach to fulfilling its mission to help more Americans achieve homeownership.

HUD'S RENTAL ASSISTANCE PROGRAMS

HUD's rental assistance programs help struggling families, seniors, people with disabilities, and veterans keep a roof over their heads and make ends meet. Nearly all households using HUD rental assistance include children or people who are elderly or disabled. HUD's major rental assistance programs include Public Housing, the Section 8 Housing Choice Voucher (HCV) program, and Section 8 Project-Based Rental Assistance (PBRA). Rental assistance for Native Americans on tribal lands is funded through the Indian Housing Block Grant (IHBG). Additional rental assistance programs at HUD include Section 202 Housing for the Elderly, Section 811 Housing for Persons with Disabilities, Housing Opportunity for Persons with AIDS (HOPWA), and several other rental assistance programs. All told, HUD's rental assistance programs house 10.1 million individuals in roughly 4.6 million rental units.

There is no question that HUD's subsidized rental housing successfully helps individuals and families achieve better life outcomes. According to the Center on Budget and Policy Priorities' analysis of data from the 2013 American Community Survey, rental assistance kept 3.1 million people, including one million children, out of poverty. Through HUD's rental assistance programs, including public housing, the HCV program, and the PBRA program, the federal government provides housing stability to our country's most vulnerable households, allowing them to have more money in their budget for other necessities like food, medicine, and childcare.

Most importantly, these programs prevent individuals and families from becoming homeless and help families remain stably housed, leading to better health and educational outcomes for low-income children. Studies show that stable housing is essential for children to grow and thrive, and that housing instability detrimentally impacts children's emotional, cognitive, and physical development, as well as their academic achievement and future prosperity as adults.

In the current rental housing crisis, too many families are burdened with rents that make up more than 50 percent of their income. HUD's rental assistance programs that cap tenants' rents at 30 percent of their income, including public housing and the HCV and PBRA programs, ensure affordability for those families.

HUD'S HOMELESS ASSISTANCE PROGRAMS

HUD's McKinney-Vento Homeless Assistance Grants program is the largest federal homelessness program, receiving $2.2 billion in funding in FY2016. These funds provide state and local governments, public housing authorities, and nonprofit organizations with funding for housing and supportive services for homeless persons, including outreach, shelter, transitional housing, supportive services, short- and medium-term rent subsidies, and permanent supportive housing for people experiencing or at risk of becoming homeless.

In 2009, Congressional Democrats spearheaded the passage of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act to mandate that the Administration develop a national strategic plan to end homelessness, as well as an overarching strategy for accomplishing these goals. During the Obama Administration, the U.S. Interagency Council on Homelessness (USICH) put forward the first-ever Federal strategic plan to prevent and end homelessness in a report entitled *Opening Doors*. Since its inception in 2010, overall homelessness has declined nationwide by 11 percent, homelessness among veterans has fallen by 36 percent, chronic homelessness among individuals has fallen by 31 percent, and homelessness among families with children has fallen by 15 percent.

However, according to HUD's most recent point-in-time (PIT) count, in January 2015 there were 564,708 people homeless on any given night. In particular, homelessness among major cities, which account for 48 percent of all homeless people in the United States, has increased by 3 percent—an increase most acutely felt in New York City and Los Angeles. This latest point-in-time count revealed that more than one in five homeless people was located in either New York City (75,323 people or 14 percent) or Los Angeles (41,174 people or 7 percent). Los Angeles, for example, saw a staggering 20 percent increase in homelessness from 2014 to 2015. Further, the number of unsheltered, chronically homeless individuals increased across the country by 4 percent since 2014 (the first increase since 2011). Los Angeles has maintained the largest number of chronically homeless individuals (12,356) among major cities, as well as the largest increase in chronically homeless individuals since 2014 (up 55 percent). In a country as wealthy as the United States, this level of deep, unmet need is simply unconscionable.

Today, there is a substantial body of research regarding the best approaches for addressing homelessness, and the taxpayer dollars that we can save by implementing these proven methods. We have to do more to make sure that all homeless people have the access to the affordable housing and social services that they so desperately need. We have to come together to educate each other about homelessness in our country. We have to have honest conversations about the challenges we face in working to end homelessness. And we have to stop making excuses for not taking the steps that we already know will work. The federal government cannot turn a blind eye; Congress has a responsibility to the people of this country to provide everyone with a safe, decent, and affordable roof over their heads.

HUD'S HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

HUD's major community development and housing production programs are the Community Development Block Grant program (CDBG) and the Home Investment Partnerships (HOME) program. Democrats have, and continue to, oppose the steady funding cuts that both the CDBG and the HOME programs have experienced over the past several years. CDBG is formula-based block grant program that provides a flexible funding source for state and local governments to use towards a range of housing and community development activities. According to HUD data, over the past 9 years the program has assisted over 1.2 million low- and moderate-income persons. Further, every $1.00 of CDBG funding leverages an additional $4.07 in non-CDBG funding.

The HOME program is a formula-based block grant to state and local governments, and it is the largest federal block grant designed exclusively to build affordable housing for low-income families. As other federal funding for the production of new affordable housing units has largely dried up in recent years, the HOME program is

of critical importance today. Since 1992, over 1 million units of housing have been produced with HOME funds. This figure includes nearly 485,000 homes for new homebuyers, more than 225,000 owner-occupied homes and approximately 450,000 rental units. Further, every $1.00 of HOME funding leverages an additional $4.17 in non-HOME funding.

The National Housing Trust Fund (HTF), which we expect will be capitalized in early 2016, is a critical part of the federal government's efforts to address our rental housing crisis. The HTF is a formula-based block grant that prioritizes the creation of rental housing for extremely low-income (ELI) households. In fact, the HTF is the only federal housing program dedicated to producing affordable housing specifically for ELI households. This is particularly important in light of the serious lack of affordable and available rental units for ELI households, and the shortage of federal funding for the production of new affordable housing. The HTF was designed to be funded by contributions from Fannie Mae and Freddie Mac, but these contributions were suspended by the previous Director of the Federal Housing Finance Agency (FHFA) when the two enterprises were put into conservatorship. Democrats applaud the FHFA's decision to reverse the earlier decision, and expect the first contribution to be made in March 2016.

The CDBG and HOME programs have a proven track record of success and the HTF will shortly make important contributions to producing more affordable housing. However, this progress is being threatened and undermined by Republican efforts to either cut, redirect or otherwise consolidate these funds. Democrats maintain that these programs have very distinct roles in the federal government's overall housing strategy and should be separately funded.

FAIR HOUSING

Where a family calls home can determine whether or not they have access to quality schools, health care, reliable transportation, and other resources that can affect a family's future, and particularly a child's future. Democrats strongly support HUD's efforts to fight discrimination and enforce the Fair Housing Act. In particular, Democrats support HUD's final rule, implementing the "affirmatively furthering fair housing" provision of the Fair Housing Act, as an important tool towards empowering local communities to do more to promote fair housing and inclusive communities.

HUD's Fair Housing Initiatives Program (FHIP) and Fair Housing Assistance Program (FHAP) are also very important components of HUD's fair housing efforts. FHIP is critical to building and sustaining inclusive communities, and it is the only grant program within the federal government with a primary purpose of supporting private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. Further, FHAP is a central component of

HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the agency to protect fair housing rights in an efficient and effective manner.

USDA'S RURAL HOUSING PROGRAMS

With a network of more than 400 field offices located in small town and farming communities, the USDA's Rural Housing Service (RHS) caters to the unique and specific housing needs of these rural communities and families. These field offices and local RHS staff, who are familiar with the communities they serve, are important resources for families in need of affordable rental housing and low-income homeownership opportunities. Since 2009, RHS has helped more than 900,000 rural families buy, repair, or refinance a home and has provided funding for more than 3,000 multifamily housing developments.

Historically, RHS has coupled loans for multifamily developments with rental assistance for housing units in those developments. As an increasing number of these loans are expected to mature in the coming years, many are concerned that families will be displaced when the rental assistance contracts expire. Democrats are committed to preserving the affordability of these units, and look forward to exploring the best path forward. Further, we note that the President's Budget requests in recent years have requested additional flexibility for RHS in managing its Rental Assistance program. While we understand the constraints of a limited budget, Democrats continue to have concerns about the practical effects of these proposals, and look forward to finding alternative solutions.

Lastly, we disagree with Republican claims that HUD and RHS are duplicative, and should be consolidated. While we agree that RHS and HUD can learn from each other through inter-agency discussions, we maintain that RHS plays a distinct and critical role in the federal government's housing assistance strategy, as well as in the housing market overall.

SECURITIES AND EXCHANGE COMMISSION (SEC)

Democrats are increasingly concerned with Republican efforts to severely constrain the Securities and Exchange Commission's (SEC or the Commission) resources while the U.S. capital markets it oversees continue to grow at an ever accelerating rate. Congress needs to fully fund the SEC in FY 2017 so that it can fulfill its mission to protect investors, to promote capital formation and to ensure that our markets are fair, efficient, transparent, and competitive. Democrats note that the SEC's budget is paid for entirely by a small fee levied on securities transactions, and will in no way increase the government debt.

The SEC's important responsibilities to oversee the markets are broad and complex and need sufficient funding to be successfully executed. Yet, the SEC-regulated securities markets dwarf Commission resources. Indeed, the Commission oversees nearly 12,000 investment advisers, over 850 investment company complexes managing over 9,700 mutual funds and Exchange Traded Funds, approximately 4,400 broker-dealers, over 400 transfer agents, 18 national securities exchanges, 85 alternative trading systems, six active clearing agencies and three exempt clearing agencies, the security futures product exchanges, the National Futures Association, the Securities Information Processors, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of approximately 9,000 public companies.

Moreover, the SEC has been implementing key provisions of both the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) the Jumpstart Our Business Startups Act (JOBS Act) and the Fixing America's Surface Transportation Act (FAST Act), which together have added more than 100 new rulemaking responsibilities for the Commission. While Democrats commend the Commission's efforts to finalize more than 73 percent of the Dodd-Frank Act mandatory rulemakings, Democrats expect the remaining rules to be adopted this year, including: 1) rules harmonizing the fiduciary standard for investment advisers and broker-dealers when providing investment advice; 2) rules implementing new compensation disclosures and prohibiting certain compensation arrangements; and 3) rules completing the regulatory regime for securities-based swaps. Although the SEC has completed its major JOBS Act rulemakings, Democrats expect that the Commission will use its ample rulemaking authority to bolster protections for investors against fraud. Democrats commend the Commission's efforts to expeditiously implement several of the provisions of the FAST Act intended to help small business capital formation.

On a general level, freezing or cutting back the SEC's budget means it will not be able to make additional hires to strengthen its investigations and enforcement efforts. To protect investors and preserve the integrity of the markets, the SEC must keep pace with market developments. For example, over the last decade the number of registered investment advisers has increased by more than 30 percent, and the assets under management increased more than two-fold, to almost $67 trillion. Yet, the resources available to the SEC to examine investment advisors have severely lagged the number and sophistication of these advisors, which led to staff only being able to examine 10 percent of investment advisers last year.

In addition, the SEC is responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate

disclosure violations to complex financial products. SEC enforcement efforts also must focus on emerging market threats involving new trading technologies such as high-frequency trading and algorithmic trading, large volume trading, and systemic insider trading and manipulation schemes. The Committee expects the Commission to increase its enforcement efforts against trading venues that provide preferential treatment to certain traders and against traders that engage in abusive and manipulative practices at the expense of retail and institutional investors. While the SEC's experience enforcing the rule of law in fiscal year 2015 resulted in approximately $4.2 billion in disgorgement and civil penalties, Democrats urge the Commission to obtain a greater number of admissions of guilt in its enforcement actions to send a strong signal to the market. In addition, the Commission should establish a deliberative, public process to carefully consider whether waiving automatic sanctions for bad actors appropriately deters wrongful conduct, protects investors, and promotes the integrity of the markets.

To complete these and other tasks central to the SEC's mission of protecting investors, promoting capital formation, and ensuring market stability, Congress must provide the Commission with sufficient funding. Without it, we risk the integrity of our markets, the savings of hard-working Americans and the future of the U.S. economy.

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB or the Bureau) was created by the Dodd-Frank Act to protect consumers from predatory practices and promote fair and transparent markets for the provision of consumer financial products and services. The CFPB Director has a broad mandate that includes consumer protection functions transferred from seven different federal agencies, and the authority to write rules, supervise compliance, and enforce consumer financial protection laws. Since the Bureau was established, it has implemented new rules for mortgage markets and prepaid cards, released comprehensive studies on student lending and mandatory arbitration in consumer contracts, and also successfully recovered more than $11 billion for more than 25 million consumers harmed by predatory and illegal financial practices.

The CFPB is housed within the Federal Reserve System (Federal Reserve) but the Dodd-Frank Act makes clear that the CFPB is autonomous of the Federal Reserve in carrying out its mission. As is the case with all other banking regulators, the CFPB's funding is independent of the congressional appropriations process. The CFPB receives its funding from transfers from the Federal Reserve. The CFPB's annual budget authority is capped at a percentage of the operating budget of the Federal Reserve Board.

The CFPB's budgetary process allows the Bureau to maintain its political independence. The Bureau is, however, accountable to congressional oversight, as evidenced by the Bureau's testifying before the relevant Committees of jurisdiction 55 times since its inception. The Bureau is also required by statute to submit to Congress a semi-annual report and to make the Director available for a hearing on that report before the House Financial Services Committee and Senate Banking, Housing and Urban Affairs Committee.

Given the important mission of the CFPB to protect consumers, including minority populations, students, seniors, and servicemembers, and the expertise required to monitor and regulate complex financial markets, Democrats expect the CFPB will adequately fund its operations in FY 2017.

GOVERNMENT SPONSORED ENTERPRISES

Democrats believe that a robust mortgage market is required for a healthy, growing middle-class and broad economic growth. The secondary market plays a significant role in ensuring the health of the financial system, and efforts to reform the market should: maintain affordable, long-term fixed-rate mortgage products; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity, and prevent disruptions during a transition to a new finance system; support affordable rental housing, and the multi-family market; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

Democrats are dismayed that Republicans continue to advocate for a completely privatized housing market. Economists, housing advocates, and industry all agree that the PATH Act from the 113th Congress is harmful legislation. As is apparent from the Republican's failure to move the PATH Act in the House last term, a majority of Members of Congress feel the same. The PATH Act failed because it would have ended the affordable, 30-year fixed rate mortgage, making it a product only available to a tiny subset of lower-income FHA borrowers, or to the richest households who obtain jumbo loans. The bill removed key protections for investors but expected them to bear all mortgage credit risk. The PATH Act was also bad for community banks and credit unions because it severely cut their access to the capital markets and undermined the FHA. The bill harmed consumers by repealing existing predatory lending provisions. The bill hurt renters by abolishing the Affordable Housing Trust Fund, eliminating the government sponsored enterprises' (GSE) role in multi-family housing, and making the FHA multi-family program an administrative nightmare. PATH was bad for taxpayers, codifying an implicit guarantee on our housing market that would have required a future bailout. In sum, the PATH Act would have been a disaster for the American housing market, which drives nearly 20 percent of our nation's GDP.

Given House Republicans' inability to pass housing finance reform over the nearly five years they've controlled this chamber of Congress, Democrats applaud the sound actions taken by the Federal Housing Finance Agency (FHFA) to responsibly expand access to sustainable homeownership and affordable rental housing, while still protecting the taxpayer. In fact, the GSEs have returned $241.2 billion to the U.S. Treasury and taxpayers, more than $53.7 billion above and beyond their initial draw. What's more, the GSEs continue to provide access to affordable housing for low-income and very-low income families. In 2014, the FHFA determined that Fannie Mae and Freddie Mac had guaranteed the financing supporting more than 535,000 affordable multifamily rental units to families at or below 80 percent of the area median income (AMI), of which nearly 110,000 units were for families at or below 50 percent of the AMI. In addition, of the more than $584 billion in financing for single family homes provided by Fannie Mae and Freddie Mac, the GSEs directed more than 20 percent of their financing to supporting low-income family home purchases and five percent to very low-income family purchases. Democrats applaud the role the affordable housing goals have played to expand access to the American dream of homeownership, and support the FHFA's efforts to ensure that all of the housing goals will be met in the future.

Democrats also approve of the FHFA's decision to permit the GSEs to guarantee 97 percent loan-to-value mortgages, provided that the borrower meets additional criteria, because it enables a broader pool of eligible borrowers to achieve the dream of homeownership. Importantly, the FHFA has also determined to fund the Affordable Housing Trust Fund through a small percentage of the GSEs' profits, which will help improve the availability and affordability of rental housing. Democrats expect the FHFA to take additional steps in the coming year to assist underwater borrowers, who are still struggling as a result of the 2008 financial crisis, by providing a loan modification or refinancing, which includes principal reduction.

Democrats also support FHFA's effort to fulfil its obligation to preserve a liquid, competitive and national housing market. Last year, the agency worked to build and test the operations and architecture of the Common Securitization Platform (CSP) and issued a proposal for a Single Security to be issued and guaranteed by Fannie Mae and Freddie Mac. This year, we expect FHFA to launch the first of two announced stages to complete this project.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) was created by the Dodd-Frank Act to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of

identifying and responding to risks and emerging threats to the financial stability of this country.

In the years leading up to the financial crisis, the regulatory and supervisory framework failed to keep up with the changes in size, complexity, interconnectedness, and globalization that created the growing risks to financial stability. Through its two units, a Data Center and a Research and Analysis Center, the OFR collects and analyzes detailed financial information from the financial sector. The OFR then shares this data with the FSOC and member agencies so that they may deliberate and take the necessary steps in identifying and mitigating systemic threats to our economy and financial stability. As a result, for the first time, regulators have the necessary tools to evaluate the stability of the entire financial system, not just individual institutions.

Both FSOC and OFR have grown since their inception and have honed their capacity to identify threats and craft solutions as needed, and have instituted additional procedures to promote transparency to the public.

The budgets of the OFR and the FSOC do not affect the deficit because they are offset by a fee imposed on systemically significant financial institutions. Furthermore, through the OFR's data collection and the FSOC's designation authority, regulators have identified institutions that pose heightened risks to the economy and succeeded in encouraging some firms to drastically reduce their risk profiles, protecting taxpayers by making deficits associated with future financial catastrophes much less likely.

OFFICES OF MINORITY AND WOMEN INCLUSION

As the population in our country becomes increasingly racially and ethnically diverse, it is critical that the federal financial services agencies have both designated, well-trained staff and sufficient resources to ensure that they are able to attract, retain, and promote an inclusive and diverse workforce. A highly-qualified, diverse workforce is not vital simply because it is the right thing to do; it is necessary for these agencies to operate effectively and understand the financial needs of, and implement regulations and guidance for, traditionally underserved communities and populations. One method by which Democrats have attempted to support such diversity was the enactment of Section 342 of the Dodd-Frank Act. Section 342 required most of the federal financial agencies to establish Offices of Minority and Women Inclusion (OMWIs) that, among other things, are responsible for developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management within each of the agencies in which they are located.

In 2014, Democratic Members of the Oversight and Investigations Subcommittee sent letters to the Inspectors General (IG) at seven of the federal financial services agencies. These letters requested that the IGs conduct analyses, and transmit audit reports back to Congress, regarding whether their respective agencies had systematically disadvantaged minorities and women from obtaining senior-management positions. In 2015, these reports were completed and ultimately demonstrated across-the-board disparities in the hiring and promotion of women and minorities to senior-management positions as well as with respect to the performance evaluations of diverse employees.

Because the IGs found systemic shortcomings in the agencies' workforce diversity policies and practices, and because Democrats remain committed to supporting supplier diversity in the federal agencies as well, we urge the Congress and agencies to allocate adequate resources to fully implement all of the recommendations in both the IG audit reports and a subsequent Democratic Committee staff report. This includes devising and implementing new and creative ways to recruit, retain, and promote a diverse workforce and increasing participation of minority-owned and women-owned businesses in the programs and contracts of the agencies.

While many of the agencies have already started implementing positive changes in these areas, important work remains, because failing to achieve these diversity objectives risks jeopardizing the agencies' ability to meet operational demands and equally importantly, to effectively understand the communities, populations and markets that they are charged with overseeing.

FEDERAL RESERVE SYSTEM

The Federal Reserve has played an essential role in stabilizing our economy and reducing unemployment as a result of the 2008 financial crisis. Given its important role, Democrats are troubled that Republicans so willfully and recklessly pillaged the Federal Reserve's surplus account – a rainy day fund that promotes confidence in our central bank – rather than use a sustainable means of funding investment in our nation's infrastructure, such as an increase in the gasoline tax. For decades, the surplus of the Federal Reserve has served as a buffer for the Federal Reserve's regional banks when implementing U.S. monetary policy. By dramatically limiting this critical buffer Republicans have threatened a key tool that fosters international confidence in our central bank, and promotes the stability of U.S. currency and our economy. Democrats urge the Majority to refrain from viewing the Federal Reserve as a piggy-bank to pay for unrelated fiscal programs, especially as the Federal Reserve embarks on an unprecedented exit from its historic stimulus program.

Despite the Federal Reserve's achievements and the U.S. economy's progress, Republicans also have continued to mount attacks against the central bank. With the hopes of containing the crisis and spurring growth, the Federal Reserve grew its balance sheet in the wake of the financial crisis and subsequently faced calls for greater transparency in its conduct of monetary policy. Republicans have incorrectly argued that the Federal Reserve enjoys too much independence and would like to replace its discretionary policy-making with their own.

Critics of the Federal Reserve often confuse transparency and accountability with independence. The Federal Reserve, like every other central bank in the developed world, enjoys a unique independence from its legislature. This independence results in objective, non-political policymaking and a high degree of credibility with financial markets.

Claims that the Federal Reserve is neither transparent nor accountable to Congress and the American public are disingenuous. The fact is, the GAO has conducted numerous audits of the Federal Reserve since 1978, both at the direction of Congress and of its own authority. Since the financial crisis alone, GAO has conducted more than 70 audits, including two comprehensive audits of the Federal Reserve's emergency financial crisis lending. The Federal Reserve also discloses a considerable amount of information about its operations both voluntarily and as required by statute, including publishing its balance sheet every week, publishing statements about longer-run goals and monetary policy strategy, as well as its normalization principles and plans. The Federal Reserve also publishes an annual report of its open market operations. Moreover Federal Reserve officials frequently deliver public remarks explaining their views, and Federal Reserve Chair Janet Yellen conducts regular press conferences at which she explains the FOMC's outlook on the economy and monetary policy.

LIVING WILLS

The financial crisis demonstrated that several large, interconnected banks pose an existential threat to the American financial system. These institutions' size and complexity forced the government to expend enormous resources to prevent their failures in order to avoid an economic collapse. Firms that are so large and complex that they cannot be resolved without harming the broader economy are known as "too-big-to-fail."

To prevent future bailouts of banks and other financial institutions, the Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. The law requires that large banks and systemically important financial firms submit to regulators a resolution plan or "living will," which demonstrates how that institution could be successfully resolved using existing bankruptcy procedures, without government funding. If regulators deem the plans insufficient, they can

require firms to raise capital, exit lines of business, or even divest entirely of complex subsidiaries.

This year the Federal Reserve Board of Governors and the Federal Deposit Insurance Corporation (FDIC) will review the fifth submission of living wills from the largest banks, which have thus far been deemed insufficient. We believe that given the consistent failures of large banks to submit credible living wills and the outstanding threat to the economy posed by these firms, it is past time for the FDIC and Federal Reserve to use their enhanced authorities to force large, complex firms to exit risky business lines and reduce their financial footprint.

While the Majority's Views claim to be concerned with the lingering challenge of "too big to fail," and the Chairman has publicly praised the living wills requirement, the Majority has evidenced no serious attempt to ensure that the largest, most complex firms are small and simple enough to be resolved through bankruptcy. In contrast, the Minority is committed to ensuring that large financial institutions can never again threaten the U.S. economy. As such, if the Federal Reserve fails to work with the FDIC to address the outstanding deficiencies in large banks' living wills, the Minority will undertake an aggressive oversight and legislative agenda to empower the FDIC to act unilaterally to protect taxpayers.

ORDERLY LIQUIDATION AUTHORITY

Because not all threats to economic stability can be foreseen, the Dodd-Frank Act also provides regulators with additional authorities to resolve systemically important firms in an orderly fashion – known as the Orderly Liquidation Authority (OLA). Under OLA, if regulators must use government funds to help resolve an institution in order to prevent contagion or other economic catastrophe, any funds would be recouped from an assessment on all systemically important institutions at no cost to the American taxpayer.

Although the Congressional Budget Office (CBO) previously estimated that a repeal of the OLA would reduce the deficit by $22 billion over ten years, these savings stem only from the fact that CBO is merely looking at a ten-year period. By selectively citing CBO's estimate, the Majority's Views misleadingly use CBO's estimate to suggest that regulators would ignore the law and pass on the cost to taxpayers. However, in the same estimate, CBO states that, "the recoupment of [resolution] expenses will ultimately equal the expenses, but not within the 10-year period." Repealing the OLA, as the Majority proposes, would expose the American economy to additional uncertainty and instability, inviting a crisis whose cost would likely be an order of magnitude much greater than any fictional savings.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats support increases for the successful State Small Business Credit Initiative, which Congress created in passing the Small Business Jobs Act. The Treasury Department has already allocated $1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Through the end of 2014, Treasury reported that the initiative supported $6.4 billion in private loans or investments to more than 12,400 small businesses. Small business owners reported that the lending and investments made possible by the initiative would create more than 48,000 jobs and help retain over 92,000 jobs that were at risk of loss. In fact, the initial $1.5 billion in funding is expected to result in as much as $15 billion in new lending to small businesses in participating states. Small businesses are the backbone of the American economy and Congress should bolster such efforts to increase jobs and promote economic growth by providing a new authorization of $1.5 billion.

NATIONAL FLOOD INSURANCE PROGRAM

Flooding is the number one natural catastrophe in the United States, with Hurricane Katrina representing the costliest natural disaster in U.S. history. The National Flood Insurance Program (NFIP) is the principal provider of primary flood insurance in the U.S., covering over 5 million households and businesses across the country for a total of over $1 trillion in flood insurance coverage. The NFIP is funded primarily through insurance premiums and fees paid by policyholders but receives appropriations for some flood mapping and mitigation activities. NFIP premiums and fees generally cover insurance claims, program costs, and operating expenses. However, by Congressional design, the NFIP is not expected to fund large catastrophic events through premiums and fees alone; it is expected to borrow from the Treasury in bad years and return funds to the Treasury in good years. Several catastrophic events causing extraordinary losses have mired the NFIP in debt. The current total stands at $23 billion. The NFIP is unlikely to ever be able to repay this debt and Congress will need to take action in order to preserve the long-term sustainability of the program.

In March of 2014, Congress passed, and the President signed into law, the Homeowner Flood Insurance Affordability Act (HFIAA). The law was a critical first step to addressing affordability issues facing thousands of homeowners across our country due to the unintended consequences of the Biggert-Waters Act. However, more work remains to be done to solve affordability issues for the long term. As the Committee begins to consider the reauthorization of the NFIP, which is set to expire on September 30, 2017, it is imperative that the focus remains on making sure that flood insurance coverage is affordable and available.

There have also been longstanding concerns with the accuracy of the NFIP's flood maps. Congress must make funding of flood mapping technology a higher priority so that local communities and individuals no longer bear the heavy burden of

contesting inaccurate flood maps that use outdated technology. Congress should also invest in mitigation, which saves $4 for every $1 spent. By focusing federal dollars on the front end, the NFIP will face fewer losses on the back end. Finally, Congress should consider ways to increase the take-up rates both through the NFIP and the private market.

While we know that there is still work to be done, we are optimistic that the reforms included in HFIAA have put us on the right track to strengthening the NFIP and protecting families and communities that rely on flood insurance.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs), including the World Bank and the regional development banks, play a leading role in efforts to promote growth and alleviate poverty around the globe. We believe it is in the national and economic interest of the U.S. that the MDBs remain strong, credible, and effective, and we support funding all U.S. commitments to these institutions, including paying U.S. arrears. Continued U.S. support will ensure our ability to influence and lead policy directions at the MDBs as well as prioritize global humanitarian initiatives in areas we deem critical, including reducing poverty, consolidating new democracies, and improving governance.

We regret that the Committee did not act on the Administration's request last year to authorize U.S. participation in the first capital increase for the North American Development Bank ("the Bank") since it was founded over 20 years ago. We urge the Committee to exercise its oversight responsibility and to authorize through regular order the U.S. commitment to the Bank's general capital increase. The North American Development Bank ("NADB") is an important bi-national development institution funded and governed equally by the United States and Mexico. The NADB is a critical component of the bilateral relationship between the United States and our third largest trading partner and Southern neighbor, Mexico. Strengthening the NADB would be an important demonstration of the United States' shared commitment with Mexico to build a stable and prosperous border region. As a valued and trusted institution on both sides of the border, the NADB can continue to help mitigate high poverty rates and security challenges along the U.S.-Mexico border.

EXPORT-IMPORT BANK

The Export-Import Bank of the United States (the Bank) is the official export credit agency of the United States. The Bank's mission is to support U.S. jobs by helping American companies, large and small, compete in the global marketplace and boost exports. Last year, after a five-month shutdown forced by the Bank's opponents, a majority of members in both parties voted to renew the Bank's operating charter

through September 30, 2019. The reauthorization legislation also mandated a number of sensible reforms, including a provision to boost the share of financing for small businesses.

In FY 2015, the Bank supported an estimated $17 billion in U.S. export sales and approximately 109,000 jobs across the country. Since FY 2008, the Bank has operated on a self-sustaining financial basis, which means that in addition to offsetting the costs of its own operating expenses through the fees it collects, the Bank also generates excess funds that it sends each year to the Treasury. In FY 2015, the Bank transferred roughly $431 million in deficit-reducing receipts to the Treasury, down from the more than $674 million the Bank delivered to taxpayers the previous year, due in part to the Bank's temporary shutdown.

Democrats reject the Majority's claim that the Bank misrepresents its true cost to the American taxpayer. The Bank follows the congressionally mandated accounting system established through the Federal Credit Reform Act. In fact, the Bank has been highly effective in managing taxpayer risk, having sent $6.9 billion in net profits to the Treasury since 1992, and maintaining a very low default rate of 0.24%.