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 2018

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 2018 (FY18).

OUR NATION'S FISCAL CHALLENGE

America is on a collision course with a fiscal crisis that will result in national bankruptcy and a bleak economic outlook, unless Congress and the President work together to control government spending and avert this crisis – which is the most predictable crisis in American history. Under the Obama presidency, a record $9.32 trillion was added to our nation's debt, solely because Washington continued to spend money it did not have, thereby depriving our children and grandchildren of a prosperous future. According to the Congressional Budget Office's (CBO) latest estimates, over the next decade the federal government will run a $9.4 trillion deficit. According to CBO: "Beyond the 10-year period, if current laws remained in place, the pressures that contributed to rising deficits during the baseline period would accelerate and push debt up even more sharply. Three decades from now, for instance, debt held by the public is projected to be nearly twice as high, relative to GDP, as it is this year—and a higher percentage than any previously recorded." That is unacceptable, unsustainable, and it will condemn Americans to a future with a downsized American Dream; no longer will future generations be better off than their parents and grandparents but instead they will live in an America with fewer opportunities, less economic freedom, and a lower standard of living.

Despite being almost eight years into the recovery, too many Americans 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 than the Obama Presidency. After eight years of the failed economic policies of the Obama Administration, the paychecks of middle-income families are still below pre-recession levels, 11 million more Americans have become dependent on food stamps, and over three million more Americans live in poverty. For the first time since the presidency of Herbert Hoover, the previous administration failed to experience one year with annual economic growth at or above 3 percent. The American people know the economic policies of the past eight years have failed to deliver the jobs and economic growth that the American people desperately want and deserve.

While our national debt is not solely responsible for the slow economic growth our economy remains mired in today, it is certainly a factor depressing economic growth. Therefore, it is essential that we rein in spending and put our nation onto a sustainable fiscal path. We cannot simply call for more spending and higher taxes that grow 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. 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 financial products and services, 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 – including the Financial CHOICE Act – 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. In addition, the Committee intends to advance legislation to place the non-monetary policy activities of the independent agencies within the Committee's jurisdiction on the appropriations process.

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 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. The committee advanced legislation in the 114th Congress, the Financial CHOICE Act, which repealed Title II of the Dodd-Frank Act and intends to advance similar legislation in the 115th Congress.

Office of Financial Research

Title I of the Dodd-Frank Act established the Office of Financial Research (OFR), within the Treasury Department, to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties to identify and respond 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.

Funding Level: The OFR is funded outside of the appropriations process through assessments levied on large financial companies. According to its 2016 Annual Report to Congress, the OFR's estimated FY17 budget was $101 million. The prior Administration's budget for FY17 anticipated that OFR would incur obligations of almost $105 million for FY17, while noting that the OFR estimated significant unobligated balances of over $68 million for FY16.

Committee's View: The Committee remains concerned about the scope, redundancy, and potential for misuse of the OFR's powers as well as Congress's limited oversight of the OFR and its funding. There are as many as 20 other federal divisions, sections, departments, centers, committees, offices, and bureaus that are capable of collecting or analyzing data that can be used by policymakers to assess risks to the financial system or the broader economy. Several of these entities have missions and capabilities that are virtually indistinguishable from OFR's. In 2016, the Committee favorably reported the Financial CHOICE Act, which eliminates the OFR. The Committee intends to advance similar legislation in the 115th Congress.

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 FY17, by statute the CFPB may receive up to $646.2 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 to oversee either 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. A recent federal appeals court opinion found that the CFPB Director "enjoys more unilateral authority than any other officer in any of the three branches of the U.S. Government, other than the President." History shows that agencies shielded from accountability are prone to abuse their authority, and the CFPB is no exception. Accordingly, the Committee intends to advance legislative proposals, including those in the Financial CHOICE Act, which will enhance accountability and lead to greater transparency at the CFPB. As part of these efforts, the Committee will seek to reform the CFPB's operations and unconstitutional structure, including by subjecting the CFPB to Congressional appropriations process, and by reforming the CFPB's statutory mandate to ensure that it takes into account, and seeks to promote, robust market competition.

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 Chairman of the SEC sets the agenda for the agency. The five SEC commissioners and the SEC staff set 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 current FY17 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 $25 million from FY16 to FY17. The SEC can also spend up to $50 million in FY17 from its Reserve Fund created under Section 991 of the Dodd-Frank Act. Combined, the SEC's total spending authority for FY17 is $1.680 billion, less than 6 percent below the prior Administration's FY17 request.

Committee's View: The SEC's current budget authority of $1.680 billion represents an increase of almost 57 percent since the passage of the Dodd-Frank Act in 2010, and it is 90 percent higher than a decade ago. Since 2000, the SEC's budget authority has increased by over 345 percent. The Committee remains concerned that despite receiving significant annual appropriations increases, the SEC has neither met statutory deadlines for the issuance of rulemakings nor significantly 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 for $2.227 billion for FY18, that significant funding increases are necessary; the SEC should instead focus existing resources to fulfill its three-part mission. Further, the Committee disagrees with the SEC's assertion that it requires $291 million to be placed in an escrow account to facilitate the SEC's renegotiation of its headquarters lease. The Committee intends to advance legislation that would prohibit the SEC's ability to obligate funds for such a purpose.

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 FY17 Continuing Appropriations Act rescinded $25 million for FY17), is supplemental funding that the SEC can access without congressional approval; eliminating it would generate significant budget savings for taxpayers. In 2017, the Committee will seek to advance legislation to reform the SEC's operations and structure. For example, in 2016, the Committee favorably reported the Financial CHOICE Act, which would modernize the SEC's operations and structure to eliminate inefficiencies and the Committee intends to advance similar legislation in the 115th Congress.

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.

Committee's View: More than eight 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 the Office of Management and Budget (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. The Committee intends to advance legislation to reform the nation's housing finance system in the 115th Congress.

FEDERAL RESERVE SYSTEM

In 1913, Congress created the Federal Reserve System to serve as the nation's central bank. 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."

Funding Level: N.A.

Committee's View:
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 Federal Reserve'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, which passed by the House in 2015, and the Financial CHOICE Act, both of which 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. In addition, the Committee intends to promote greater accountability at the Federal Reserve by advancing legislation to fund the non-monetary activities of the Federal Reserve's Board of Governors and 12 regional banks through the Congressional appropriations process.

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 more than $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.

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 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 the 115th Congress, the Committee will build upon its work in the previous Congress 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, homeless assistance programs, community development programs, the Federal Housing Administration's (FHA) mortgage insurance programs, the Government National Mortgage

[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).

Association's (Ginnie Mae) mortgage-backed securities program, fair housing programs, and programs that aid community and neighborhood development and preservation.

Funding Level: \$47.263 billion in discretionary budget authority enacted for FY17 (This total does not include offsetting receipts from FHA and Ginnie Mae, which lowered the congressionally appropriated cost for funding HUD by roughly \$9.456 billion in FY17, according to HUD's FY17 budget documents.)

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 approximately 8,000 full-time employees across several departments, including Ginnie Mae and the HUD Office of Inspector General. 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 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; the vast majority of HUD's resources will likely be used for the same purposes in FY18. 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 needs 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. In the 114th Congress, the Committee advanced the Housing Opportunity Through Modernization Act of 2016 (P.L. 114-201), which modernized outdated housing rules and regulations. The Committee intends to advance similar legislation in the 115th Congress.

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 FY17 appropriations for tenant-based Section 8 assistance and \$10.622 billion in FY17 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 the 115th Congress, the Committee will continue to consider reforms to Section 8 and other assisted housing programs in order to identify and implement more efficient uses of taxpayer funds and to better help individuals achieve greater self-sufficiency. For example, the Committee will examine the proposed mobility counseling demonstration program, which is intended to help HUD-assisted families move to and stay in higher-opportunity neighborhoods.

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 FY17 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.

Moreover, the Committee will review the over 3,883 public housing authorities that administer and maintain Section 8 and public housing stock. This fragmented national system of state-chartered entities can contribute to the lack of voucher portability and may further constrain individual choice and economic mobility. Increasing choice may also mean innovating beyond the government owned-and-operated public housing model towards new housing delivery models that harness the abilities of non-profits and other cost-effective service providers.

Of the approximately 3,883 public housing authorities that administer and maintain Section 8 and public housing stock, 1,486 agencies administer between 50-249 units or vouchers and are designated small agencies; 701 agencies administer between 1-50 units or vouchers and are considered very small. Combined, small and very-small public housing authorities, as defined by HUD, comprise 56 percent of the 3,883 public housing agencies, administrating 6 percent of the total number of units and vouchers funded by HUD. The Committee will review the impact of regulation on small and very-small public housing authorities and explore methods to provide regulatory relief in a way that eases compliance costs while ensuring that small and very-small agencies serve residents in an equitable and fair manner.

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 FY17 appropriations.

Committee's View: During the 113th and 114th Congresses, the House passed legislation to reauthorize NAHASDA, strengthen taxpayer protections, and promote tribal governmental accountability. The Committee will continue to support legislation that 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. Previous House-passed legislation was estimated, by CBO, to not increase direct spending or revenues. The Committee will work to enact similar legislation in 2017.

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 FY17 total loan authorizations, including:

- Section 502 Single Family Guaranteed Loans: $24 billion in FY17 loan authorizations
- Section 502 Single Family Direct Loans: $900 million in FY17 loan authorizations
- Section 521 Rental Assistance: $1.39 billion in FY17 loan authorizations
- Section 538 Multifamily Guaranteed Loans: $150 million in FY17 loan authorizations
- Section 515 Multifamily Direct Loans: $28.4 million in FY17 loan authorizations

- Section 542 Rural Voucher Assistance: $15 million in FY17 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. In recent years, Congress has also created housing vouchers specifically designated for those families affected by multi-family prepayments, representing rental units that leave the RHS portfolio. The Committee has expressed concern regarding the increasing number of Section 515 loans that 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. In FY16, for example, RHS spent approximately $19 million in housing vouchers for residents affected by multifamily developments that pre-pay and leave the RHS portfolio, representing $4 million more than authorized or appropriated. 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.

Rural communities across our nation face a magnitude of challenges that are unique as compared to those faced by urban areas. Rural communities are four times more likely than urban areas to have at least 20 percent of their population living in poverty. To make matters worse, poverty in rural areas tends to be more persistent than in urban areas. For example, more than 88 percent of the nation's "persistently poor" counties – defined as having at least a 20 percent poverty rate at each of the last four U.S. Censuses – are rural.

Residents living in rural communities have less access to the myriad of basic services and resources that exist in urban areas. First, rural areas have limited access to educational and employment opportunities, which contribute to lower incomes and higher poverty rates. Second, rural areas have less access to basic city services including public works, and social services – resources that are necessary for the economic health and well-being of a community. Third, rural communities have less access to decent and affordable housing, as well as access to affordable credit. Consequently, far too many rural families live in housing that is unaffordable, in substandard condition or both. According to U.S. Census data, approximately 1.5 million rural homes, or about 5.9 percent, are in substandard condition.

Access to safe, decent, and affordable housing can transform lives. The federal government plays a critical role in expanding homeownership and providing opportunity for our rural communities. The Committee will continue to ensure that the USDA's Rural Development

Agency and Rural Housing Service make a dedicated commitment to ensuring the prudent stewardship and efficient administration of rural development and housing programs.

FEDERAL HOUSING ADMINISTRATION

The Federal Housing Administration (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.

Funding Level: $400 billion in FY17 single-family loan commitment authority.

Committee's View: FHA reported on November 15, 2016, for a second consecutive year, that the agency 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. 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. The Committee remains very concerned that the delinquent rates for FHA loans continue to be significant. In a recent national mortgage delinquency survey, FHA's delinquency rate increased to 9.02 percent from the previous quarter. Yet, the agency attempted to lower annual mortgage insurance premiums in early January 2017, despite indications that FHA is struggling to be actuarially sound. Moreover the Committee continues to be vigilant given that FHA, in 2013, needed $1.7 billion from the U.S. Treasury, its first bailout or mandatory appropriation in 79 years, due to a wave of defaults. 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 5.1 million policyholders and over $1.25 trillion in insurance coverage, representing approximately 22,000 participating communities. Currently, the NFIP has an outstanding debt of $24.6 billion borrowed from taxpayers, with $5.825 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. Forty nine years after the NFIP's creation, 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 reform the NFIP and 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: As reported by the House Committee on Appropriations, $106.25 million in FY17 appropriations for administrative expenses and $6 million in FY17 appropriations for the Office of Inspector General

Committee's View: Given the Export-Import Bank's authorization through September 30, 2019, the Committee will continue to conduct rigorous oversight of its operations and governance to protect taxpayers from risk associated with the those operations, ensure it complements rather than supplants the private market, and eliminate waste, fraud, and abuse within or affecting the Export-Import 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: As reported by the House Committee on Appropriations (H.R. 5912, 114th Congress):

- International Development Association: $1.20 billion in FY17 appropriations
- International Bank for Reconstruction and Development: $5.96 million in FY17 appropriations
- Inter-American Development Bank: $21.94 million in FY17 appropriations
- Asian Development Bank (includes Asian Development Fund): $99.23 million in FY17 appropriations

- African Development Bank (includes African Development Fund): $208.09 million in FY17 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 fully fund.

In December 2016, the Obama Administration pledged $3.871 billion for the eighteenth replenishment of the World Bank's International Development Association (IDA-18), subject to approval by the following administration and the availability of appropriations. The Committee is concerned by management deficiencies at the World Bank, including weak project implementation and insufficient prioritization of development results. In considering any request for IDA-18, the Committee will examine potential reforms at the World Bank to improve the effectiveness and accountability of IDA.

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: In FY16, an 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 forms of illicit finance, principally through its Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN) but also through capacity-building efforts by the Office of Technical Assistance (OTA). As the major components 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, including OFAC, received $117 million in annualized appropriations in the FY17 Continuing Resolution; FinCEN received $113 million; and OTA received $23 million.

Committee's View: The Committee appreciates the importance of robust diligence in fighting the funding of terrorism and other financial crimes in a global, increasingly digital financial system. For that reason, in the 115th Congress, the Committee has established a new Subcommittee on Terrorism and Illicit Finance to review the tools and policies currently in place to spot and block the illegal flow of funds. 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 FinCEN and OFAC rely, and enable both agencies to hire and retain qualified analysts in a workforce environment that increasingly competes for the best and brightest analysts of illicit finance. Additionally, the Committee believes that there should be separate authorizations for the OTFI and OFAC, and it hopes to work with the Committee on Appropriations to make the government's efforts to fight illicit finance more transparent. The Committee will examine ways to improve the allocation of resources within and improve the operations of OTFI, including the Office of Intelligence and Analysis. The Committee will work to enact a multi-year authorization for FinCEN and would seek to do the same for OTFI and OFAC if there is agreement to separate those accounts from the main Treasury funding account.

In the 114th Congress, the Committee's Task Force to Investigate Terrorism Financing highlighted, and the Committee fully supports, the critically important job the Treasury's OTA does in building the capacities of public finance ministries and central banks in developing and transitioning economies to strengthen their public finances and safeguard their financial sectors. These efforts by OTA help strengthen ministries of finance, create more equitable and effective tax policies, develop means of public finance and government debt management, and assist with the development of anti-money laundering and counter terrorist financing regimes around the world. A government that builds effective public financial institutions and maintains effective oversight of private institutions can become a valuable partner in the global effort to combat terrorist financing. The Committee fully supports the OTA's mission in helping developing and transitioning nations establish the building blocks of a modern market economy.

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.