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House Committee on Financial Services Hearing

Oversight of the Treasury Department's and Federal Reserve's Pandemic Response

Provided by:



### **Chairwoman Waters (D-CA) Opening Statement**

Unemployment in May was four times higher than last May. All job gains have been wiped out. Communities of color have been affected disproportionately. During the 2008 housing crisis we saw a similar disproportionate impact. White households gained back the wealth they lost. Black and brown households are still trying to catch up. We cannot endure another unequal recovery. As the pandemic has strengthened so must our effort.

### **Ranking Member Patrick McHenry (R-NC) Opening Statement**

I believe the Fed and the Treasury's decisive action prevented the worst of the economic catastrophe. Now that many of the CARES act programs are up and running, we must be forward thinking to seek solutions to return us to a roaring economy. Our role in Congress is to assess the effectiveness of these programs, determine the goals for additional relief, and identify the appropriate entity to provide that relief.

**The Honorable Steven Mnuchin**, Secretary, U.S. Department of the Treasury – America's economy continues to recover from the challenges posed by COVID-19 pandemic. The jobs report from the Month of May vastly exceeded expectations with a record gain of 2.5 million jobs. While unemployment is still historically high, we are seeing additional signs that conditions will improve in the third and fourth quarter of this year. U.S. Chamber of Commerce reported 79% of small businesses are partially open. Certain industries are recovering quickly while industries like retail and travel are facing longer impact may require additional relief. We have approved over 4.4 billion small business loans for \$519billion. We've distributed \$150 billion from the Coronavirus relief fund. CARES Act provided \$454 Billion to support Federal Reserve

Lending Facilities. We've committed \$250 Billion and have over \$450 Billion remaining to create or expand programs as needed. The Treasury Department is implementing the CARES ACT with transparency.

**The Honorable Jerome Powell, Chair, Board of Governors of the Federal Reserve System** – The economy has entered an important new phase and done so sooner than expected. The path forward for the economy remains uncertain and will depend in large part on our success in containing the virus. The Federal Reserve is strongly committed to using our tools doing whatever we can for as long as it takes to ensure the recovery will be as strong as possible and limit lasting damage. After lowering the federal funds rate to essential zero, our actions fall into 4 categories: stabilizing treasury and agency mbs markets, money market and liquidity and funding measures, direct efforts to support the flow of credit in the economy and targeted regulatory measures to support those efforts. We've created 11 facilities to support liquidity and flow of credit.

**Chairwoman Maxine Waters (D-CA) to Secretary Mnuchin** – With unemployment support expiring and new PPP loan applications no longer accepted after today, does the Administration support extending these programs as supported in the Heroes Act?

**Secretary Mnuchin**– We do support additional legislation and look forward to working with the House and Senate. As it relates to the PPP I've already had conversation with SBA Committee in the Senate about repurposing that \$135 billion and hope legislation can be passed by the end of July.

**Ranking Member Patrick McHenry (R-NC) to Secretary Mnuchin** – Regarding the additional funds that are purposed for PPP, how can we best repurpose the \$135 billion?

**Secretary Mnuchin** – I think there is bipartisan support to extend these funds to businesses that are hardest hit.

**Ranking Member McHenry to Chair Powell** – What metrics will Fed use in the next phase for large institutions?

**Chair Powell** – The banking system is a source of strength unlike the last crisis. To address uncertainty looking forward, we assessed the strength of the system and asked banks to resubmit their capital plans. Will provide more clarity going forward.

**Representative Lucas (R-OK)** - There have been reports that China has been restricting global ag imports due to COCID-19. How are we working to resolve this with China and do you anticipate this impacting the terms of the Phase 1 trade agreement?

**Secretary Mnuchin** – We have every expectation that they will support and live up to the Phase 1 agreement and are well on their way on those commitments.