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S. Hrg. 116-1

NOMINATIONS OF BIMAL PATEL, TODD M. HARPER, RODNEY HOOD, AND MARK
ANTHONY CALABRIA

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HEARING

BEFORE THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF:

Bimal Patel, of Georgia, to be an Assistant Secretary for Financial
Institutions, Department of Treasury

Todd M. Harper, of Virginia, to be a Member of The National Credit
Union Administration Board

Rodney Hood, of North Carolina, to be a Member of The National Credit
Union Administration Board

Mark Anthony Calabria, of Virginia, to be Director of The Federal
Housing Finance Agency

FEBRUARY 14, 2019

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Affairs

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NOMINATIONS OF BIMAL PATEL, TODD M. HARPER, RODNEY HOOD, AND MARK
ANTHONY CALABRIA

THURSDAY, FEBRUARY 14, 2019

U.S. Senate,
Committee on Banking, Housing, and Urban Affairs,
Washington, DC.

The Committee met at 10:02 a.m., in room SD-538, Dirksen
Senate Office Building, Hon. Mike Crapo, Chairman of the

Committee, presiding.

OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman Crapo. The hearing will come to order.

This morning, we will hear testimony on the nominations of Bimal Patel, to be Assistant Secretary of the Treasury for Financial Institutions; Todd Harper, to be a Member of the National Credit Union Administration Board; Rodney Hood, to be another Member of the National Credit Union Administration Board; and Mark Calabria, to be Director of the Federal Housing Finance Agency.

Welcome to all of you. I see friends and family behind you, and I welcome them here today as well.

Mr. Patel has been nominated to serve as the Assistant Secretary of the Treasury for Financial Institutions. In this role, Mr. Patel would be responsible for Treasury's efforts on legislation and regulation concerning financial institutions and overseeing the Terrorism Risk Insurance Program and the Community Development Financial Institutions Fund.

Mr. Patel brings a wealth of knowledge on financial services policy and regulation, stemming from extensive experience in both the private and public sector.

Since May 2017, he has served as Treasury's Deputy Assistant Secretary for Financial Stability Oversight Council, or FSOC, where he is responsible for overseeing FSOC staff and activities.

Prior to joining Treasury, Mr. Patel provided financial policy and regulatory expertise as a partner at O'Melveny and Myers, including as Head of the Financial Advisory and Regulatory Practice, and served as senior advisor to Director Jeremiah O. Norton at the Federal Deposit Insurance Corporation.

Mr. Harper and Mr. Hood have both been nominated to the Board of the National Credit Union Administration. The NCUA plays a critical role in overseeing and insuring a major segment of our Nation's community financial institutions--federally insured credit unions.

Each of these nominees comes with prior NCUA experience.

Mr. Harper led the Office of Public and Congressional Affairs and served as the Chief Policy Advisor to the NCUA Chairman between 2011 and 2017. Before that, he had a long career focusing on the financial services industry on Capitol Hill, including as the staff director of the Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises of the House Financial Services Committee, and as legislative director for former Congressman Paul Kanjorski.

Mr. Hood currently serves as a corporate responsibility manager for JPMorgan Chase, where he manages partnerships with organizations that serve community development, civil rights, and the disability community. Between 2005 and 2010, Mr. Hood served as a member of the NCUA Board, including being elected as its vice chairman. Before that, he served in the Senior Executive Service as the Associate Administrator of the Rural Housing Service at the U.S. Department of Agriculture.

Dr. Calabria is a leading expert on housing and mortgage finance and a respected Ph.D. economist. He has nearly 30 years of experience interacting with the housing market from the perspective of academia, Government, industry, trade associations, and think tanks.

Dr. Calabria has dedicated the majority of his career to

public service, including as Deputy Assistant Secretary of Housing and Urban Development, nearly a decade as a Senior Professional Staff Member to this Committee, and now as Chief Economist in the Office of the Vice President.

Dr. Calabria has also worked for the National Association of Realtors, the National Association of Home Builders, the Farm Credit Council, the Harvard University Joint Center for Housing Studies, and recently at the CATO Institute, as director of Financial Regulation Studies.

Over the course of his public service career, Dr. Calabria has a long history of working across the aisle to deliver meaningful, lasting reforms. He played a key role in a number of bipartisan legislative achievements, including the HEARTH Act, which strengthened our Nation's homelessness assistance programs, and HERA, the law which established FHFA and created the position to which he has been nominated.

Throughout his career, Dr. Calabria has worked to champion market reforms that benefit consumers and enhance the safety and soundness of our housing finance system.

At FHFA, Dr. Calabria would continue to work toward these objectives as regulator of Fannie Mae, Freddie Mac, and the Federal Home Loan Bank system. He would also be charged with protecting taxpayers, ensuring responsible access to mortgage credit, and serving out FHFA's statutory mandate to conserve and preserve the assets of Fannie Mae and Freddie Mac.

Members of this Committee are incredibly cognizant that a full decade now has passed since the Government asserted control of the GSEs. After 10 years of market recovery, these mortgage giants remain stuck in conservatorship, with the taxpayers still on the hook in the event of a housing market downturn.

It appears that the old, failed status quo is slowly beginning to take hold again, with the Government in some ways expanding its reach even further, entering new markets where it has never been before. The status quo is not a viable option, and finding a comprehensive solution remains a top priority for me.

It is my view that action on housing finance reform is the prerogative of Congress, and my strong preference is for us to explore a legislative pathway forward. However, FHFA can also play an important role in helping us move forward to a more sustainable housing finance system facilitated by an engaged and strongly capitalized private sector.

If confirmed, I look forward to working with each of these nominees on many important issues within each of their respective policy areas, including: housing finance and other issues critical to taxpayers and homebuyers; data privacy and security; capital formation and corporate governance; and continuing efforts from last Congress to provide meaningful relief to homeowners, consumers, and smaller businesses.

Again, I thank you all for your willingness to serve and for appearing before our Committee today.

Senator Brown.

OPENING STATEMENT OF SENATOR SHERROD BROWN

Senator Brown. Thank you, Mr. Chairman, for holding this hearing today on the nominations of Bimal Patel, Todd Harper, Rodney Hood, and Mark Calabria. Welcome, all four of you, to the Committee. Congratulations to the nominees. I look forward to their testimony and especially the responses from each of

you.

It is important that we consider new nominees in a timely manner. Mr. Chairman, I appreciate your including Mr. Harper in today's hearing.

I want to remind my colleagues of both sides, although many more seem to be here on my side than yours. I want to remind my colleagues that four noncontroversial nominees to the Export-Import Bank never received a vote on the Senate floor last Congress, while nominees that were sent up from the White House much later were in fact confirmed. We also continue to wait on the White House for nominees for the Democratic positions at SEC and FDIC.

All of today's nominees have the opportunity to use their positions, if confirmed, to improve the lives of American families. They can make it easier for families to buy homes with mortgages they can afford. They can encourage credit unions to offer fair products to Americans left behind too often by our banking system. They can support policies that protect consumers and our financial system from risky activities at financial institutions.

Mr. Patel has been nominated to the Treasury Department Assistant Secretary for Financial Institutions. He would take on a new role at Treasury that covers a broad range of policy issues affecting financial institutions.

Mr. Harper and Mr. Hood have been nominated to the National Credit Union Administration Board, an agency they are both familiar with. Mr. Hood previously served as NCUA Board Member from 2005 to '10. Mr. Harper worked in the NCUA's Office of Public and Congressional Affairs, served as a chief policy advisor to the chair from 2011 to '17. Both nominees are good for us. Both nominees possess a deep understanding of credit unions and the issues that affect them.

Finally, Dr. Calabria has been nominated to lead the Federal Housing Finance Agency. Most Americans probably do not know that FHFA even exists, but as the regulator of the GSEs, it affects whether Americans can get a mortgage, how much they pay for their mortgage, what kind of rental options they have. This is particularly true for low- and moderate-income families and for communities that have been abandoned by Wall Street.

The housing problems facing families are clear. Rent is too expensive and in too many communities, particularly communities of color, there is not access to safe, sustainable mortgages. These are the problems that the next director should be working to address.

Dr. Calabria has a long history in housing. He was a staff member on the Committee when Congress passed the Housing and Economic Recovery Act, creating FHFA, so he is well aware of the significant influence that he would have in that job.

He has written extensively on the housing system, particularly on GSEs. These writings raise serious questions about the impact that Dr. Calabria's actions could have on the housing market if his views are in fact implemented.

He has questioned the need for the 30-year fixed-rate mortgage around which there has been in our society from industry, homeowners, and Government alike, around which there has been mostly consensus. He has advocated against a Government guarantee for qualifying mortgage-backed securities. These positions contradict what we have heard from housing stakeholders time and time and time again who have appeared before this Committee.

Dr. Calabria has called for repeal the GSEs' affordable

housing goals, which help ensure that Fannie and Freddie are fulfilling their statutory missions to facilitate home ownership and rental housing for low-income families. In the last testimony he submitted to this Committee 4 years ago, Dr. Calabria said the two primary tools facilitating private-market home financing, the GSEs and FHA, ``should eventually be eliminated.'' Through the hearing this morning, I hope to understand if Dr. Calabria still believes that.

When work has dignity, everyone can afford housing in their community. We know that is not true today. We are facing a housing affordability crisis. Wages are lagging behind the increase in home prices. One in four renters spends more than half their income on rent—one in four.

Seven of the 10 fastest-growing occupations do not pay enough to afford to rent a modest one-bedroom apartment, let alone save for a downpayment. The next generation of potential homebuyers is saddled with the maximum of student loan debt.

Borrowers of color were systematically shut out of the housing market for generations. They suffered some of the biggest losses during the financial crisis. They still face discrimination when trying to get a loan.

Those are the challenges we must confront. We need a strong, mission-driven housing finance system working to make sure all Americans can afford safe and quality housing where they live and work and send their children to school.

I will be listening to see how Dr. Calabria's plans align with these goals.

Thank you.

Chairman Crapo. Thank you, Senator Brown.

Before I administer the oath, I would just respond on the movement of nominees. I appreciate Senator Brown's acknowledgement that this Committee has moved their nominees promptly, and we will continue to do so.

There are many reasons why there has been delays on the floor moving nominees, but I hope that we can work together in this Congress to get this Committee's nominees all moved forward promptly as we get them to the floor.

Senator Brown. Thank you, Mr. Chairman.

I ask that you use your immense—I know it is immense—influence with the White House to get them to move on some of the Democratic nominees that have not been offered up.

Chairman Crapo. I will work with you on that.

Senator Brown. Thanks.

Chairman Crapo. And we will work to get all of them moved.

At this point, would you all please stand. I will administer the oath.

Please raise your right hand. Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Patel. I do.

Mr. Harper. I do.

Mr. Hood. I do.

Mr. Calabria. I do.

Chairman Crapo. There is one more question. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. Patel. I do.

Mr. Harper. I do.

Mr. Hood. I do.

Mr. Calabria. I do.

Chairman Crapo. Thank you. You may each be seated.

Each of your written testimonies will be made a part of the record in their entirety.

Before you begin your statements, I invite you, if you choose, to introduce anyone in your family or friends who is in attendance with you.

I remind you, we have a 5-minute clock. I encourage you to pay very close attention to it. I say the same thing to my colleagues on the Committee when it is time for them to ask their questions.

With that, Mr. Patel, you may proceed.

TESTIMONY OF BIMAL PATEL, OF GEORGIA, TO BE AN ASSISTANT
SECRETARY FOR FINANCIAL INSTITUTIONS, DEPARTMENT OF TREASURY

Mr. Patel. Thank you, Mr. Chairman.

Chairman Crapo, Ranking Member Brown, and Members of the Committee, it is among the greatest privileges of my life to appear before you today.

Thank you to the Senators and staff members with whom I have met in advance of this hearing. If I am fortunate enough to be confirmed, I look forward to meeting with and working with all of you on the important issues in the portfolio of the Assistant Secretary for Financial Institutions.

My story begins with my parents, who are seated behind me today. Truthfully, neither my family nor I would be here today if it were not for the United States of America and all it stands for.

My dad grew up as a peanut farmer in rural India. Raised in abject poverty, he was driven by an unshakeable determination to build a better life. Lacking resources, he immigrated to the U.S. primarily by boat. Here, he pursued higher education, ultimately earning his Ph.D. from NYU. He worked incredibly hard over a 50-plus-year career, including operating a number of small businesses in my home State of Georgia and teaching at Spelman College, a historically black all-women's college in Atlanta.

Like my dad, my journey to being before you today was not without adversity. I was born 3 months premature, weighing in at just 2 pounds and 2 ounces. When I was 2 weeks old, doctors put me in a room with a baby that had pneumonia. I contracted the pneumonia, and my brain was damaged. Doctors told my parents that I would never grow past 4 feet tall, that I would be incapacitated, and that I would die. I am so fortunate that the doctors saved my life and that my parents, particularly my mom, always believed in me.

The common thread between my dad's path and mine is that America made our improbable stories possible. Coming to America with nothing, my dad found opportunities that only our country provides to give my brother and me the chance to realize our own dreams.

Likewise, America is probably the only country where a child with brain damage and cerebral palsy would be accepted so completely and encouraged so unfailingly to overcome such obstacles.

This journey has motivated me to serve to try to repay the enormous debt I owe to our country, and I am proud to have accepted the call to public service when I have been asked.

From 2012 to 2015, I served as a senior advisor at the FDIC, and I currently serve as the Deputy Assistant Secretary of the Treasury for FSOC.

In addition to Government service, I have practiced law at

O'Melveny and Myers, most recently as a partner and the head of the Financial Advisory and Regulation Practice. I represented depository institutions of all sizes, including many community banks and regional financial institutions.

I have also advised on credit union structural and regulatory issues, and I have previously represented community interest and charitable organizations on a pro bono basis on matters relating to financial regulation.

One consistent objective of my work has been assisting depository institutions to better serve their communities and to provide a broader array of services to a greater number of customers.

I also love teaching and mentoring the younger generation, a passion that has led me to teach an undergraduate economics course on Banking Regulation at my alma mater, Stanford University, since 2014.

Above all, the thing that has drawn me to financial services is the unique connection between our financial system and American families and small businesses like those my dad operated.

At its best, our financial system is the force multiplier of our economy, linking savers to those who seek credit to pursue education, build businesses, and help their families to live better lives.

Financial services also assist Americans in saving for retirement and in ensuring loved ones against difficult life events and losses.

Thank you again for the opportunity and the honor of appearing before you today. I would be happy to answer any questions you have and would be humbled to earn your support for my nomination.

Chairman Crapo. Thank you, Mr. Patel.

Mr. Harper.

TESTIMONY OF TODD M. HARPER, OF VIRGINIA, TO BE A MEMBER OF THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

Mr. Harper. Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for inviting me to testify as a nominee to become a Board Member of the National Credit Union Administration. If confirmed, it would be an honor and privilege to serve.

Moreover, I am especially grateful to those who have supported me in this process, including Chairman Crapo and his staff who moved quickly to consider me.

In working over two decades for Congress and at the NCUA, I have gained broad knowledge of financial services regulatory matters and a deep understanding of many of the issues facing federally insured credit unions.

But my commitment to public service really started with my parents. As professional educators and community leaders, my parents instilled in me a strong desire to give back to others. They also taught me the importance of finding common ground when making decisions.

You see, before they fell in love and married, my mother was the president of the teachers union and my father was the superintendent of schools. One was a Democrat; the other, a Republican. Yet during negotiations, they would work together to find the best possible deal for both sides.

In carrying their leadership lessons with me throughout my career, I have skillfully solved complex problems, reached

bipartisan consensus where possible, and bridged differences between business and Government to produce results.

As a senior advisor to former Congressman Kanjorski and staff director for the House Financial Services Capital Markets Subcommittee, I worked on every major financial services law from the enactment of the Gramm-Leach-Bliley Act in 1999 through the passage of the Dodd-Frank Act in 2010.

Most notable, however, is my long track record on credit union issues, which began when Congress considered and passed the Credit Union Membership Access Act. This bipartisan law responded to a Supreme Court ruling that threatened the long-term viability of thousands of credit unions.

Subsequently, I led staff in drafting the Credit Union Regulatory Improvements Act, which Congressmen Kanjorski and Royce first introduced in 2003. Their bipartisan bill aimed to strengthen capital standards, advance economic opportunity, and provide targeted regulatory relief, three goals that continue to guide me.

During the financial crisis, I later worked to convene the first congressional hearing to explore the creation of the Temporary Corporate Credit Union Stabilization Fund and spearheaded staff efforts in the House to lower the costs of managing both the Corporate Stabilization Fund and the Share Insurance Fund.

Most recently, I served as NCUA's senior executive for public and congressional affairs, as well as the chief policy advisor to former Chairmen Debbie Matz and Rick Metsger.

My time at NCUA honed my management skills, and my professional experience have informed my regulatory philosophy. In my view, financial regulators need to be fair and forward looking; innovative, inclusive, and independent; risk focused and ready to act expeditiously when necessary; and appropriately engaged with all stakeholders to develop effective but not excessive regulation.

An NCUA Board Member should also be well informed, ask tough questions, and make impartial judgments that balance competing viewpoints in a transparent manner. If confirmed, I am confident that I would do just that.

My top priority, unquestionably, would be to protect the safety and soundness of federally insured credit unions and the Share Insurance Fund. To do so, I would focus on the issues of capital, liquidity, and cybersecurity. I would also prioritize the agency's consumer protection responsibilities, consistent with the law and work to support small credit unions, minority depository institution, and low-income credit unions. These institutions face the challenges of increased competition, limited resources, and difficulties in achieving economies of scale.

To expand economic opportunity, I believe that the NCUA must also work to increase access to affordable financial services for the unbanked and the underbanked. This, too, would be a priority for my work.

Once again, it would be a tremendous honor to serve as an NCUA Board Member, if confirmed. I would be pleased to answer any questions.

Chairman Crapo. Thank you, Mr. Harper.
Mr. Hood.

TESTIMONY OF RODNEY HOOD, OF NORTH CAROLINA, TO BE A MEMBER OF
THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

Mr. Hood. Thank you.

With me today, I have seventh grade students visiting from Durham, North Carolina, from Durham Academy--Kayla, Michael, and Emma--along with their chaperone, Stephen Barringer.

Chairman Crapo. Thank you. We welcome you.

Mr. Hood. Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, thank you so much for the opportunity to meet with you as a nominee to serve on the Board of the National Credit Union Administration.

It is indeed an honor and a privilege to be nominated to the NCUA Board, and if confirmed, I will do my level best to fulfill the trust placed in me by the President and the Senate.

I am especially grateful for strong support I have received from the Senators of my home State, Senators Thom Tillis and Richard Burr from North Carolina.

While my parents are not here in person, I feel the warmth of their presence as they watch from heaven. I am thankful for them for bequeathing me with a value system that reflects humility, integrity, hard work, and compassion. These values have helped me make a difference in the lives of many people during my 25 years in the private sector and in public service.

Through my education and work experiences, I have developed a broad knowledge of the financial services industry and have a keen understanding of the responsibilities of regulators. NCUA plays an important role both regulator and insurer to protect the savings of more than 115 million hardworking Americans in an industry with over \$1.4 trillion in assets.

If confirmed by the Senate, I will work diligently to ensure the continued safety and soundness of our Nation's credit union system in today's dynamic marketplace.

I look forward to returning to NCUA and fulfilling the duties and responsibilities of a Board Member. While my paramount responsibility would be ensuring the safe and sound operations of federally insured credit unions, additional responsibilities will include ensuring that NCUA thoroughly applies all relevant consumer protections, creates opportunities to promote financial education and inclusion, and fosters an environment where low-to-moderate income and disabled individuals have access to affordable financial services and economic mobility.

During the 4 years of my term at NCUA over a decade ago, I worked to fairly and thoughtfully implement the Federal Credit Union Act and maintain the safety of the National Credit Union Share Insurance Fund. My regulatory philosophy remains the same today as it was then that regulation needs to be effective but not excessive.

My interest in serving vulnerable communities grew from my volunteer work as a missionary in Africa and later as a banker who became engaged in community and economic development. I still today fondly remember the joy and excitement I saw when a young woman who attended one of my bank's homebuyer education classes realized that home ownership could be more than just a dream for her and her family.

After attending a series of homebuyer education classes, building a solid credit profile, and obtaining downpayment assistance, she was able to purchase her first home. She later showed her gratitude by inviting me to tour her new home and share a meal with her family.

I recognize that credit unions are indeed a critical element in helping families achieve their American dream of home ownership, assisting entrepreneurs increasing small

businesses, and providing the trusted mechanisms for families to save for the future.

My nearly three decades of public- and private-sector experience have provided me with profound leadership opportunities. This includes the importance of building solid teams, paying close attention to the basics, and putting a face in the decisions you make. These experiences have provided me with a sound foundation for evaluating the policy issues facing the NCUA Board and the credit union industry.

If confirmed by the Senate, I will return to NCUA with a risk-based and market-oriented mindset based on the following tenets. First, I will work to ensure that credit unions remain safe and sound institutions. Second, I will strive to be recognized as a fair and thoughtful regulator. Third, I will bring focused leadership and management to NCUA while seeking to ensure efficient operations and prudent use of resources. Fourth and finally, I understand the importance of disclosure and transparency, and I will work closely with all the Members of Congress to ensure the financial integrity of credit unions in today's ever-changing environment.

Chairman Crapo, Ranking Member Brown, and Members of the Committee, I am deeply honored to appear before you this morning and would like to thank you again for your courtesy and consideration. I welcome any questions you may have.

Chairman Crapo. Thank you, Mr. Hood.

Dr. Calabria.

TESTIMONY OF MARK ANTHONY CALABRIA, OF VIRGINIA, TO BE DIRECTOR OF THE FEDERAL HOUSING FINANCE AGENCY

Mr. Calabria. Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, I thank you for the opportunity to appear before the Committee today as the nominee for Director of the Federal Housing Finance Agency.

I also want to thank the President for the trust and confidence placed in me for this nomination. Additionally, I want to express my deep appreciation to Vice President Pence. Serving as Chief Economist for the Vice President has truly been one of the greatest honors of my life. It perhaps rivals the other great privilege of my career, which has been to serve on the staff of this Committee.

I take tremendous pride in having served on the Committee staff under the leadership of Senator Shelby. While GSE reform was eventually passed in 2008, the structure of that reform largely mirrors the Shelby bills of 2004 and 2005. If anyone is the legislative father of Federal Housing Finance Agency, it is Senator Richard Shelby.

I believe being part of the process that resulted in the Housing and Economic Recovery Act of 2008 has also given me unique and valuable insights into the mission and history of FHFA. I well remember the shortcomings of its predecessors, the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board.

I was also extremely fortunate to serve on the Committee staff during the leadership of Senator Paul Sarbanes. While I did not always agree with Senator Sarbanes' policy positions, I have always strived to live up to the standards of professionalism and conduct he set for this Committee, particularly Senator Sarbanes' belief that it is indeed possible for us to disagree without being disagreeable.

I take great pride in the fact that I continue to count a

number of former Sarbanes staff as friends. Speaking of friends, it is also a true pleasure to be sitting at the table today with three gentlemen who I all consider friends.

I also want to recognize my partner who is here with me today, Allison Randall. Allison's life-long work to end domestic violence has been a daily inspiration to me. I have to give a nod to the Committee here as well, since Allison and I met while working on the 2005 reauthorization of the Violence Against Women Act, whose Title VI, Housing Opportunities and Safety for Battered Women and Children, was the product of this Committee. And I take great pride in those efforts.

I also want to--since I do not get to brag on my sister a lot and she is here today, I really do appreciate her 10-plus years of service with Loudoun County, Virginia's Office of Family Services.

I am also very fortunate to, last, have my mother with me today, Janie Jones. Let me stress this is not my day; this is her day. I would not be sitting at this table if not for the many sacrifices made by the woman behind me. I could have not done anywhere near the job she did for many years as a single mother raising four children. She is an inspiration to me every day. It is also my mother's 20-plus years working----

[Applause.]

Mr. Calabria. Somehow managing while raising four children, my mother also managed to spend 20 years for the County of Fairfax, Virginia, and her work there instilled a deep respect for public service in me. However, since she also spent her time at Fairfax County working for the Comptroller's Office, she also instilled in me the unavoidable reality that whatever the goals of Government, the numbers have to add up.

And while the primary focus of FHFA has been on our Nation's mortgage markets, the last piece of legislation I was privileged to work on for this Committee was the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009. It was a particular honor working with Senator Jack Reed and his staff, particularly my good friend Kara Stein who clearly has gone on to bigger and better things, to strengthen our Nation's homelessness assistance programs to better service homeless families, especially those living in rural America.

Homelessness and rural housing are only a few of the areas I have worked on. During my service on the Committee staff, I worked on over 20 pieces of legislation that became law, mostly in the areas of housing and mortgage finance, most of which passed this Committee unanimously. And I believe we can get back to that.

In addition to my Committee experience, I briefly oversaw HUD's regulation of the mortgage market, primarily under the Real Estate Settlement Procedures Act.

I have also spent a number of years performing economic research on the housing and mortgage market for two of the largest housing industry trade associations.

I have spent the last 20-some years researching and writing about our Nation's housing and mortgage markets. I believe I have successfully mastered not just the economics of our housing and mortgage markets, but also the legal and policy details. I believe that particular combination of skills and strengths makes me uniquely qualified to serve as the director of FHFA.

As perhaps Committee Members are aware, I have extensive writings in the area of mortgage finance. I have on occasions expressed strong opinions on the history and future of our

mortgage finance system. I have most definitely expressed, and express here today, a frustration with the current state of our mortgage finance system and the very strong need for reform.

Despite that frustration, I want to very clearly state to this Committee that, if confirmed, my role as the Director of FHFA is to carry out the clear intent of Congress, not to impose my own vision.

I have even brought with me here today my, as you can see, dog-eared, 10-year-old copy of HERA that I got here as a Committee staffer, and I can guarantee you that whatever the policy question, the first thing I will do is say to myself, ``What does the statute say?'' That is my guiding principle.

Let me emphasize and close that we are truly, in my opinion, at a critical juncture in housing finance policy. As the Ranking Member alluded to, families across America face heavy burdens making their rent or mortgage payment in many cities, towns, and States, as well as the unique barriers we see faced in our rural and tribal communities.

I also strongly believe that shelter is one of the most critical of basic human needs facing any family. Whether it is rented or owned, American families need an affordable place to call home.

I thank the Committee for your consideration. I look forward to your questions.

Chairman Crapo. Thank you, Dr. Calabria, and I will start with you and work back across the table through my questions.

As you know, Doctor, housing finance reform is a top priority for me. It remains my view that it is the role of Congress to deliver the solution, and we are currently exploring a pathway forward.

My priorities are to establish stronger levels of taxpayer protection, preserve the 30-year fixed-rate mortgage, increase competition among mortgage guarantors, ensure a level playing field for lenders of all sizes, and promote access to affordable housing.

If confirmed, can you commit to working with Congress to enact legislation that is consistent with these principles, and would you please add what are your priorities?

Mr. Calabria. Mr. Chairman, first, let me commend you on your recent introduction of a framework and principles. I share all of those principles. I believe that a number of critical elements need to take place in reform. For instance, I believe one element that we all share is the greater need for competition. This is a perfect example of where the regulator cannot make these changes. For, ultimately, there to be open charters, open competition is something Congress has to make.

So the very broad changes I think that need to happen in mortgage finance system have to be done by Congress, and I would pledge to work in consultation and partnership with this Committee moving forward.

I do believe that it is, indeed, possible for us to have a well-capitalized, strong system that preserves the 30-year mortgage and does provide access to affordable housing. I think we can achieve those goals, and I believe we can do it in a bipartisan manner.

I will remind the Committee, the first floor vote, I believe, on HERA, we got 84 votes, I believe. So I know that we can get there.

Chairman Crapo. Well, thank you, and I agree with your assessment. And I look forward to working with you and your work with us to help us get to that point.

For Mr. Hood and Mr. Harper together, a recent Washington Post article raised concerns over NCUA's expense reimbursement policy. It is my understanding that the NCUA's reimbursement policy may not be aligned with that of other Federal financial regulators.

Mr. Hood and Mr. Harper, can you both commit to reviewing the NCUA's expense reimbursement policy and making updates to better align it with the policy of other Federal financial regulators, as appropriate?

Mr. Hood. Thank you, Chairman Crapo, for that question, and, yes, sir, if confirmed by the Senate, I pledge to you and the Members of this body that on day one, I will work with agency staff and leadership to, one, understand the current reimbursement policy and take every step with them to ensure that it is in alignment with the other financial regulators.

I recognize that those of us in public service must continually garner public trust from the American people.

Chairman Crapo. All right. Thank you.

Mr. Harper.

Mr. Harper. Yes, Senator, I would certainly work on that, starting on day one. It is important for me that the rules be clear so that people understand them, that they be consistent across regulators, and finally that they be communicated to those who follow them so that they can follow them. And those would be my guiding principles as I worked on this issue as well, if confirmed.

Chairman Crapo. Thank you.

And, Mr. Patel, the Terrorism Risk Insurance Act of 2015, or TRIA as we call it, expires at the end of 2020. Getting terrorism risk insurance right is important in order to protect taxpayers and limit the economic and physical impact of any future terrorist attack on the United States.

As the Committee undertakes the program's reauthorization, we will work to identify whether improvements can be made to TRIA, such as increasing the recoupment and coinsurance levels.

The Office of Financial Institutions is responsible for overseeing TRIA. Mr. Patel, if confirmed, can you commit to working with Congress to enact legislation to achieve this balance, and do you have any priorities in that context?

Mr. Patel. Mr. Chairman, thank you for the question. Let me start out by saying I hope that we never have another terrorist attack on U.S. soil. I understand how important it is to address the economic harms that can come from these attacks, and if confirmed, I look forward to working with you, your team, the Committee, and the Congress on these important issues.

With respect to my specific priorities in this portfolio, these issues are not in my current portfolio. I am, however, broadly familiar with some of the important debates surrounding TRIA reauthorization, including program triggers, insurer deductibles, and as you say, recoupment amounts.

So, if confirmed, I will work with you on all of those issues.

Chairman Crapo. Thank you very much.

Senator Brown.

Senator Brown. Thank you, Mr. Chairman.

Dr. Calabria, in 2012, following the financial crisis, in a blog you wrote for CATO on a CATO website, you referred to homeowners who might benefit from principal reduction as ``deadbeats.'' That year, a quarter of homeowners in my home State of Ohio owed more on their mortgages than their homes

were worth. Last year, two cities in Ohio were on the list of the 12 areas with the largest number of underwater homeowners. A number of Senators on this Committee--Senators Sinema, McCally, Perdue, Smith, Cortez-Masto, Toomey, Van Hollen, and Warner--also had cities on that list. What makes these borrowers deadbeats?

Mr. Calabria. First of all, Senator, let me emphasize I, in no way, meant to have a broad generalization of all borrowers. I think we do need to be able to figure out which borrowers can pay and which borrowers cannot pay.

I will say from my own personal upbringing that if you are someone who is raised by a divorced single mother and those promised child support payments do not show up and you see questions about whether an electricity bill is going to get paid, you can sometimes develop strong feelings about those who do not honor their obligations and not keep their promises.

Senator Brown. Well, I get that. I mean, you have a lot of skill in answering questions like that. But, I mean, if the housing market----

[Laughter.]

Senator Brown. I mean, you have been to this Committee.

If the housing market were to face another crisis--and I do not want to make it personal in that if someone had referred to your family if they could not make their mortgage payment--I live in--as you have heard me say in this Committee, I live in ZIP Code 44105. That ZIP Code in 2007 had more--the first half of that year had more foreclosures than any ZIP Code in the United States, and there is no way they were all deadbeats.

Mr. Calabria. And I----

Senator Brown. OK. If the housing market were to face another crisis, would you support FHFA offering any help to borrowers, which you sort of dismiss with that term ``deadbeats''?

Mr. Calabria. I absolutely believe it is appropriate for FHFA to offer assistance. I do believe we should recognize and applaud the efforts of Ed DeMarco and the wide-based forbearance that was done by FHFA during the crisis.

I think you need to approach different borrowers differently. There are some borrowers who might be facing a shock in income because they have lost a job, but I do think for those borrowers who can pay, I think it is important that our mortgage market sets an expectation of those who can pay should pay, and we should focus our efforts on those who cannot pay and who need assistance.

Senator Brown. Well, thank you. I am not sure you made that distinction in your choice of words then.

Last month in Politico, Comptroller Otting said there is a clear mission that is outlined by the Treasury and the White House what they want to accomplish in FHFA that he will try to move down the rails before you are confirmed and you will continue that mission.

Just 2 weeks later, Otting reportedly told FHFA staff that you and Treasury had signed off on a path for the GSEs. What exactly is he referring to, Dr. Calabria?

Mr. Calabria. Senator, if I can make a clarification on the last part as well. I think it is important to keep in mind the context of blogs and posts. I mean, a typical 2-, 300-word blog does not tend to have a lot of nuance. I would be the first to say that, and I would really encourage folks to look at a broader range of what I have said.

Senator Brown. As I would too, Dr. Calabria, but in Trump's

America, we see a lot of name calling. And I am hopeful that as a Trump nominee, you will sort of back off that part of your life to label people—I do not know what that was about, but to label people like that.

But go on to the next question with Mr. Otting.

Mr. Calabria. I appreciate that.

So let me first be very clear. Despite being a member of the Vice President's office, I am here today only speaking for myself. I have not heard Director Otting's words.

My read of what I believe he said, which again, I should urge is just my read—my read of what he said is to convey a sense of urgency to the FHA staff. What I believe he has referred to in terms of me signing off, I believe he was referring to my longstanding, loud support for reform, and I believe that what he was trying to convey to the staff was essentially a pep talk of we will move forward.

I think it is important to keep in mind this is an agency for the last 10 years where the staff do not even know whether this agency is going to be around in a couple years. That really undermined staff morale. So, in my opinion, I believe Mr. Otting was trying to essentially raise staff morale and say we want to try to get to—and Mark is committed, if confirmed—to getting to a spot where this agency and the staff have certainty in their lives.

Senator Brown. Thank you.

In my office when we talked, you acknowledged that you had left earlier and did not have these conversations, but before you were selected, did you recommend specific things to the Administration on the best path forward for GSEs?

Mr. Calabria. As you alluded to, Senator, once it became clear that I was going to be the nominee or the choice for the Administration, I pulled myself out of it.

Senator Brown. Before that. Before that.

Mr. Calabria. There were conversations I was involved in, such as, for instance, in December of 2017, you remember the amendments that allowed a \$3 billion cushion to be built up by the GSEs. I was part of those conversations.

Senator Brown. And you recommended what? If you are going to be confirmed, we need to know what you think and what your policies will be.

Mr. Calabria. This is an example of where I supported allowing a modest capital buffer so that we would not have to force a draw, partly because, of course, the impact of tax reform and the deferred tax loss as being held by the GSEs.

Senator Brown. Could I get one more question, Mr. Chairman? I am always doing this. All right.

Chairman Crapo. As the Ranking Member, you can, but do not start a pattern.

Senator Brown. OK.

Chairman Crapo. Thanks.

Senator Brown. I inevitably will, but I apologize.

[Laughter.]

Chairman Crapo. Well, noted. I give notice to the other Members, I will remind you that you do not have that right.

[Laughter.]

Senator Brown. Thank you, Mr. Chairman. Can I have two questions?

Chairman Crapo. No.

[Laughter.]

Chairman Crapo. And this will be a short one.

Senator Brown. OK. It will be a short one. I do not know. I

am not sure about the answer.

You have advocated eliminating the affordable housing goals. Is this your view, and do you similarly support elimination of the GSEs' duty to serve?

Mr. Calabria. My concern about the affordable housing goals in the past have taken place in the context of two large institutions with essentially zero capital. I do believe we can get to a spot where we can have risk-taking via affordable housing goals if we can have an appropriate regulatory structure that has capital backing those goals.

I am very concerned about any large financial institution where we push it to take additional risk without the appropriate regulatory structure in place.

My comments in the past about getting rid of the GSEs is getting rid of the basic model of privatized gains and socialized losses. I believe all large financial institutions need to be ``well-capitalized, well-managed, and well-regulated,'' a phrase I have heard a number of times from Senator Shelby.

I believe it is fair to say that GSEs were none of the above before the crisis, and so my concern is this fundamental model of heads, the executives, of Fannie and Freddie walk out with lots of money, and the rest of us get held in the bag.

I want these entities to be good corporate citizens. I want them to be the model of how other corporations should want to behave.

Chairman Crapo. Thank you.

Senator Shelby.

Senator Shelby. Mr. Chairman, I guess a former chairman would not get that extra time. The current ranking guy would.

Chairman Crapo. Sorry.

Senator Shelby. I will not ask for it.

[Laughter.]

Senator Kennedy. The Chairman of Appropriations would, though.

[Laughter.]

Senator Shelby. Thank you, Senator Kennedy.

Chairman Crapo. Yeah. Thanks, Senator Kennedy.

Senator Shelby. But we are in the Banking Committee.

Thank you very much.

All of you, I believe, are eminently qualified for your positions.

Mr. Patel, you have a compelling story. I had a good conversation with you in my office. I intend to support you. I intend to support Mr. Harper. I intend to support Mr. Hood, and I certainly intend to support Dr. Calabria, who worked right here with us, hand in glove, day after day, and I believe in a bipartisan way.

He mentioned Senator Sarbanes when he was Chairman and when he was ranking when I was Chairman.

I do not know--and I associate my remarks with the Chairman Crapo here about his background and his experience. Dr. Calabria is eminently qualified for this position. I do not know of anybody--I have been on this Committee--this is my 33rd year--that would be more qualified and more concerned and more diligently than Mark Calabria. We have been through this.

I would like to pose one question to you. What do you consider to be the risk and cost of failing to reform the GSEs, which we have struggled with? And we all know they play a prominent role in our housing market. What is the risk of failing to go forward after 10 years of conservatorship?

Mr. Calabria. Well, foremost, Senator, while I believe that a number of sound economic policies have been put in place that have created record job creation, I also believe that we have not cured the business cycle. We have not cured the housing cycle, and I believe if we do not reform the GSEs that there will be significant losses. That we could be looking at tens of billions, if not hundreds of billions of taxpayer losses.

I believe we potentially put a tremendous number of families through the same sort of struggles and foreclosures and losses to their wealth that we saw last time.

So, if I am driven by anything, it is fundamentally having served on this Committee and lived through the crisis and not ever wanting us to do that again. It does devastating things to families. It does devastating things to taxpayers.

And I think, last, it is important to keep in mind, I believe the bailouts of Fannie and Freddie as well as other institutions really bred a lot of deep cynicism in the American public about our political and financial system, and I believe for us to heal some of the divides in our country, I believe we must address these issues. And I believe another set of large financial bailouts would just be devastating to the public psyche.

Senator Shelby. Thank you.

My time is good. Thank you, Mr. Chair.

Chairman Crapo. Thank you.

Senator Menendez.

Senator Menendez. Thank you, Mr. Chairman.

Dr. Calabria, I appreciated our visit together in my office.

I want to follow up, though, on Senator Brown's questions. My home State of New Jersey had the third highest foreclosure rate in the country, with nearly 8 percent of homes in foreclosure in 2013.

New Jersey families are not deadbeats. They worked hard. They played by the rules, and tens of thousands of them lost everything when the crisis hit.

So why is it that your writings mysteriously omit any blame for the true deadbeats of the crisis, the corporate deadbeats, the banks that played fast and loose, steering borrowers into risky products; the investors that demanded higher and higher returns, no matter the impact on the economy? I see no mention of that.

Mr. Calabria. Senator, I would be happy to submit publications I have written on the record that have been very critical of banks.

Let me say I take tremendous pride in having been part of the Shelby team when we stood against the bank bailouts, and I wish the rest of the country had listened. There was a better way to do this than the bank bailouts.

I believe entities like Lehman got what they deserved, and I have been very vocal in many things I have written. I am deeply concerned that ``too big to fail'' is still a problem that faces our financial system, and that many financial institutions lack accountability. So I share that concern, Senator.

And I will remind you that FHFA sits on FSOC, and I will take financial stability and accountability for our largest financial----

Senator Menendez. You may have had the view that bailing them out was not the way to save the overall system, but I do not see any of your writings calling them ``deadbeats'' at the

end of the day for driving people into products and investors who wanted high rates of return at the end of the day.

But let me turn to something else. Let me move to another key issue for New Jersey and several other States represented by Members of both sides of this Committee.

You have proposed immediately reducing loan limits to precrisis levels, with further annual reductions of \$50,000. You have gone so far as to say that loan limits should be reduced to \$200,000.

Fourteen of New Jersey's 21 counties have median home prices above \$200,000, meaning tens of thousands of people in New Jersey could be locked out of purchasing a home under your approach.

In 2017, 70 percent of new mortgage loans in New Jersey were greater than \$200,000.

So I know you are an economist, and I presume you have done quite a bit of research on the numbers here. So let me ask you. If you were to reduce conforming loan limits to, say, \$200,000, what percentage of those mortgages do you think would be pushed out of the market altogether?

Mr. Calabria. First, Senator, let me clarify that the setting of loan limits is in statute. It is mechanical. It is not within the discretion of FHFA to set the loan limits, so I would have no power, if confirmed, to change the loan limits. That is appropriately in the purview of Congress. I think that is the appropriate place for it to be.

Senator Menendez. Well, let me say--you said this to me yesterday, so I did a little research. And I am glad to hear that that is your reading of the statute. However, I have a different understanding of what your authorities would be.

So that being said, since you have said this on the record here as well as you said it to me privately, if you somehow found out in the future that you do have the authority to reduce conforming loan limits, would you do so in accordance with what you have espoused in your writings?

Mr. Calabria. Senator--well, not knowing of a possible legal argument for reducing the loan limits--I certainly have heard commentators out there argue that the vast powers of a conservator allow you to reduce loan limits. My belief is that is an incorrect reading of the powers of a conservator, and that the powers of conservator do not include reducing loan limits. The powers of a conservator have to conserve the assets and preserve the assets of the companies. I believe reducing the loan limits would be inconsistent with the objectives of a conservator.

So I think it is important to not prejudge. If someone brings me new legal information, I have to be able to evaluate that in a new sense.

I can commit to you today I know of nothing in front of me that would suggest that the loan limits would be lowered.

Senator Menendez. So to satisfy my concerns, would you follow up in writing to the Committee your analysis as to whether you have authority to reduce conforming loan limits and also follow up and provide analysis on the specific impacts to pricing and mortgage rates in a State like New Jersey, for example, if loan limits were to be reduced to the precrisis levels or to \$200,000? This is critical. Fourteen of my 21 counties are over this as median. Then, at the end of the day, if the views that have been espoused by you in the past, if you have that power, that is going to have a direct impact on thousands of potential homeowners in my State and in other

States across the country.

Mr. Calabria. Understood.

Senator Menendez. You will do that?

Mr. Calabria. Yes, Senator.

Senator Menendez. Thank you.

Chairman Crapo. Thank you.

Senator Toomey.

Senator Toomey. Thanks very much, Mr. Chairman.

I want to thank each of the panelists we have today, the nominees, because I think we have got a slate of just terrifically qualified people with amazing life stories, and I am grateful to each one of you for your willingness to serve. And I think you are going to add a tremendous amount of personal knowledge and expertise and judgment to some really challenging circumstances, so thank you for that.

Dr. Calabria, I want to sort of ask you to share some thoughts with us because I think about Fannie and Freddie as a huge embarrassment for Congress. The fact that the two institutions at Ground Zero of the financial crisis, which deserve a very significant share of the blame for the debacle that occurred, they have been allowed to grow. Their market share is enormous. By any measure, they are enormous financial institutions. They have no capital to speak of. They are in a conservatorship, and we have done nothing to fundamentally restructure these giant behemoths other than to sweep their profits into the Treasury every quarter, leaving virtually no cushion.

I share your view about a \$3 billion capital buffer, but let us be clear. That is trivial in the scheme of things.

So this, I think, is a big challenge. It is long, long overdue that we address, and so I would just be grateful for your thoughts, your advice on what we ought to do about this. You will have certain powers and actually significant powers in your role, but you pointed out correctly that, for instance, creating a mortgage finance market where there is greater competition and a much more robust role for private-sector lenders, that probably requires legislation.

So help us in how we ought to think about moving forward on this challenge, if you would.

Mr. Calabria. Thank you, Senator, and I really would agree and emphasize that while I do believe that the regulator can make a number of changes that can try to get the GSEs on a stable footing for the next inevitable downturn so that we can minimize losses and minimize damage done to families, I do believe the fundamental things that need to be changed by the system have to be changed by Congress. And I would urge that those be done in a bipartisan manner within Senator Crapo's framework and many others that talked about this.

Foremost, I believe we need an open, competitive market. There is certainly part of me that I will say that has a suspicion of monopolies and duopolies. I tend to think that if we are going to—I do not like to see exclusive privileges handed out. I think anybody who meets these charters should be able to get them. So, again, I think we should, as an assumption, be suspicious of duopolies.

I think, ultimately, it is not only important that we should be suspicious—because that we know that monopolies and duopolies tend not to pass on all their benefits to consumers but tend to capture a large amount of those benefits for themselves—so that consumers benefit from competition.

But I think just as importantly, as we have seen during the

financial crisis, having a competitive market will allow us to better address the too-big-to-fail nature of these entities. If we have got a dozen of these entities, we are less captive to having to bail any one of them out, and I think that is important to bring some market discipline and some accountability.

So, A, competition is a big part of this. B, I think having an explicit model where we know--where we get away from implied guarantee. We know what is guaranteed. It is explicit. It is on budget. It is clear.

I think the best analogy that is a model that we know that works, if you think about how the FDIC works, there is an explicit set of creditors who are protected. There are obligations. There is competition. In theory, any depository should be able to fail and go out of business in orderly manner. I really think that that is broadly the kind of model we should be looking at.

And I will last end with--because I still occasionally have that voice of Senator Shelby in my head saying, ``Never see an institution fail that was well-capitalized, well-managed, and well-regulated,' and I believe that is our objective is to make sure that these entities are well-capitalized, well-managed, well-regulated. And it is certainly worth remembering the amount of leverage of these companies go into the crisis. They were guaranteed to fail. It was an inevitability. It was a guarantee.

And I do--and I was the first to say that a lot of my motivation is having to solve this before the crisis, where it was very difficult to get anybody to take it seriously. So I wish we had fixed it then, and I hope we can fix it now, so that we do not find ourselves back in this situation.

Senator Toomey. Thanks very much.

Thanks, Mr. Chairman.

Chairman Crapo. Senator Tester.

Senator Tester. Thank you, Mr. Chairman and Ranking Member Brown, for the hearing today.

I want to thank all the nominees for being up here. I appreciate it.

Dr. Calabria, there are some things you say that I agree totally with, and a lot of other stuff, especially in your writings in the past, have been disturbing.

For example, you have essentially blamed the Federal Reserve for the financial crisis and said that the housing crisis was not a result of predatory lending by lenders. Do you still stand by that?

Mr. Calabria. Well, Senator, from a financial--well, first of all, I appreciate you reading my work.

Senator Tester. Absolutely.

[Laughter.]

Mr. Calabria. And I do want to--and I do want to emphasize that many things are in the form of blog posts and op-eds, and again, 2- or 300 words sometimes lacks nuance.

Senator Tester. Yeah, but sometimes it shows truthfulness.

Mr. Calabria. Absolutely. And I stand by all of it, but let me clarify.

So, certainly, in terms of monetary policy, I think from a financial stability perspective, anytime we see a financial system where you have got years on end, where the interest--real interest rates are negative, I----

Senator Tester. Yeah. But let us go back to the original question.

Mr. Calabria. You asked----

Senator Tester. And that was the blame was put on the Federal Reserve, not on the predatory lenders. Do you still stand by that?

Mr. Calabria. I believe there were a large number of parties to blame, including predatory lenders.

Senator Tester. OK.

In the past, you have suggested that we raise guarantee fees charged by Fannie and Freddie to pay down the debt. Is that still your position?

Mr. Calabria. The decision on whether we use guarantee fees for anything other than credit ultimately lies with Congress.

Senator Tester. I got that, but what is your position?

Mr. Calabria. I do not believe it is within the authority of FHFA to do that, so I do not believe it is a decision I have power to----

Senator Tester. But if you had the ability to make that decision or the recommendation to other people to do that, would you say let us raise the G-fees and you need to pay down the debt? It is a simple philosophy. That is all.

Mr. Calabria. Understood. And I will note that that is a proposal that the Congressional Budget Office has made.

Senator Tester. And what is your feeling?

Mr. Calabria. My feeling is I take the long-term debt situation very serious.

Senator Tester. So do I. What is your feeling on using G-fees to pay down the debt?

Mr. Calabria. I do not think it would get us there would be my--would be my feeling. I do not think we could make a very large impact on the debt that way, and I think we have to look at a number of other avenues to look at that.

Senator Tester. So that is not still your position?

Mr. Calabria. That is correct.

Senator Tester. OK.

Do you believe that a 30-year fixed-rate mortgage can exist without Government backing?

Mr. Calabria. I believe the history of the 30-year fixed-rate mortgage has been popularized and created first by guarantees provided by the Federal Housing Administration.

Senator Tester. That is OK. I do not need the history. I just need to know--I just----

Mr. Calabria. Well, I think this is important.

Senator Tester. I know. I know it is important, but I just need to know your philosophy.

Mr. Calabria. Senator, I will absolutely, if confirmed, guarantee you today that at the end of my 5-year term, the 30-year fixed-rate mortgage will be widely available. Guarantee.

Senator Tester. OK. Do you believe in Government guarantee of that fixed-rate mortgage?

Mr. Calabria. I believe we will continue and should have the Government guarantee behind that mortgage.

Senator Tester. OK. But you are not too gung-ho about the Government guarantee portion, at least that is what writings in the past have indicated?

Mr. Calabria. I believe that any sort of guarantee provided creates moral hazard, and we have to have an appropriate regulatory structure to manage that moral hazard. And my concern, fundamentally in the past, is that we have lacked the appropriate regulatory structures to control the risks that are there.

Senator Tester. OK.

Mr. Calabria. I believe we can take all sorts of risks if we have a structure that supports it.

Senator Tester. OK.

Dr. Calabria, I--and I apologize for saying ``Mr. Calabria,' ' if I have a few times.

Dr. Calabria, most of the stuff that I have read that you have put forth would indicate that you are the last person in the world that would want this job, and I think the last sentence of your opening--the last page or two of your opening actually referred to that. It said, ``Regardless of what I have said in the past, I still want the job.' '

I farm in my real life, and if I hated farming, I guarantee you I would not be in that business. Why do you want this job?

Mr. Calabria. Senator, you know, as you heard from my comments regarding the work of my mother, sister, my family, if qualified people are not willing to stand up and take public service and take responsibility, it is not----

Senator Tester. But if in your gut you want this agency to go away----

Mr. Calabria. Senator----

Senator Tester. ----or at least be significantly restructured, we got a problem.

Mr. Calabria. Senator, as a staff member of this Committee, I helped create FHFA. I am proud of the work of FHFA. FHFA is an absolutely necessary agency. In fact, I want to raise the stature of FHFA.

I remember how the employees at its predecessor felt, OFHEO. I remember how coward they were in their inability to stand up and be able to do effective financial regulators.

I remember repeatedly Senator Shelby using the term ``world-class regulator.' ' I am committed to seeing the work of HERA finally completed and to turning FHFA into a world-class regulator.

Senator Tester. Thank you, Dr. Calabria.

Thank you, Mr. Chairman.

Chairman Crapo. Thank you.

Senator Rounds.

Senator Rounds. Thank you, Mr. Chairman.

Dr. Calabria, I am enjoying the back-and-forth here a little bit, but I want to bring it back down a little bit. And let us just have a little conversation here.

Number one, do you think that 30-year mortgage is an important item to have?

Mr. Calabria. Absolutely. I have one myself. I would like to keep it.

Senator Rounds. OK. Second of all----

[Laughter.]

Senator Rounds. Well, getting this job might just make that possible.

What about--look, when it comes to a 30-year, is there any question in your mind but that a secondary market for those securities--is there any question in your mind that that is not an important item to have?

Mr. Calabria. I believe we do need a vibrant secondary market and a 30-year mortgage, and really to clarify some of the questions that have been raised, in the past I have expressed a frustration that we saw this during the crisis. We saw this when we tried to get the HERA. That too often someone would just invoke the 30-year mortgage and say, therefore, we cannot touch any element of the existing system and no reform is possible.

I believe what we need to do is we need to roll up our sleeves, and we need to get our hands dirty and say what in our system is crucial and critical to the 30-year mortgage and what can we change.

So, again, my frustration in the past has been by this sort pushback that somehow we are not supposed to talk about fixing the system if we could just, you know, invoke 30-year mortgage, end of conversation, we have to take the system as it is.

Senator Rounds. Yeah. Just think about what would have happened if we would have taken the same approach with Social Security and we were fixing it on a year-to-year basis so that it would actually survive, so that we actually could guarantee the next generation that it would be there.

The same kind of a thing comes in when we talk about a 30-year mortgage or the opportunity for some sort of a guarantee, so that that asset or that loan can be sold in a secondary market.

These GSEs have done that in the past, but there has been a real problem when Congress sometimes meddles and suggests that things should be done.

When you talk about underwriting and understanding standards, would it be fair to say that you simply believe that underwriting standards are a critical part of maintaining long-term successes of any mortgage of any size?

Mr. Calabria. Absolutely, Senator. I am a very ardent believer in home ownership. I would go as far to say I view home ownership as one of the fundamental planks of a free society. I think it is critical to us, but I believe that home ownership has to be sustainable. I believe we cannot just funnel families through that are not going to survive home ownership and are going to be worse off because of it, what it devastates to do to them. So, to me, I want to make sure where we are going, sustainable home ownership.

And I will last note I know Senator Shelby remembers every time the Committee tried to do mortgage finance reform before the crisis. We had parties out there saying, ``Oh, this is a bill that destroys Fannie and Freddie and shut down Fannie and Freddie.'' We know the truth was that Senator Shelby's efforts and the efforts of this Committee before the crisis, we are trying to avoid Fannie and Freddie from getting in trouble and try to make sure that they were there.

And so let me be very clear. I am the last person who is trying to disrupt the mortgage market. I am trying to stop the mortgage market from disrupting itself.

Senator Rounds. And that requires a series of underwriting guidelines that have been vetted. It requires discipline. It requires a facility that allows for the open trade and marketability of those products. It requires the availability of liquidity. Are all of those items that have to go into a good secondary market?

Mr. Calabria. Absolutely, Senator.

Senator Rounds. So what you are suggesting and what I hear you saying is let us have some discipline in this. Let us make this thing. Let us fix this thing. Let us not just simply promise that everybody gets a 30-year mortgage, kind of like we promise everybody that they put money into Social Security and therefore we never have to look at it again and we will never manage it. What we are really talking about here is taking responsibility so that the next generation can have those same guarantees. Fair statement?

Mr. Calabria. Absolutely, Senator.

Senator Rounds. Thank you.

Mr. Calabria. Thank you.

Senator Rounds. Thank you, Mr. Chairman.

Chairman Crapo. Thank you, Senator Rounds.

Senator Warner.

Senator Warner. Thank you, Mr. Chairman.

Dr. Calabria, I enjoyed our meeting. I do not necessarily agree, but I appreciated our back-and-forth.

I want to start with an area. My understanding is you believe that the FHFA Director can go ahead and unilaterally require an increase in the capital reserves, capital requirements for the GSEs. Is that correct?

Mr. Calabria. Not under the terms of the current preferred share agreements. The previous director proposed a risk-based capital rule, but that would have not taken place, even if it was finalized within the existing framework. So for any additional capital to be raised above the \$3 billion that is there requires an agreement to be----

Senator Warner. But you supported that, did not you, back in an Urban Institute article in 2016?

Mr. Calabria. I believe----

Senator Warner. You supported that concept----

Mr. Calabria. I believe the----

Senator Warner. ----I guess, closer to bank-like capital.

Mr. Calabria. I support the concept of having significantly more capital at the GSEs.

Senator Warner. I guess one of the concerns I have, if we go to a bank-like capital requirements, that that is going to dramatically increase the cost of borrowing, particularly for low-income borrowers, borrowers of color or others. I think if you currently have--currently, borrowers are basically requires to pay about 30 basis points on the mortgages guaranteed by the GSEs.

My calculation--and I am trying to do this on a conservative basis--would be that if you raised GSEs' capital to bank-like capital, you would be talking about at least a tripling of the capital requirements. You can take this from about 30 basis points to 90 basis points. That is close to a full 1 percent increase. That on a traditional \$300,000 loan would be an increase in cost of over \$60,000, and I think we have got a housing affordability crisis in this country, and that is just for a traditional lender.

If you go to a really at-risk lender, low-income, who already pays significantly higher in terms of their costs of loans, I mean, I have seen estimates that would have almost a doubling of the cost to those low-income borrowers.

So if we are trying to grapple with affordability--and clearly, we have talked about the need to make sure that the GSEs are stronger and have more appropriate protections, but holding bank-like capital reserves, how can you square that with the concerns about the affordability, the crisis that we have in the housing market?

Mr. Calabria. Well, first, let me emphasize my full agreement with the affordability crisis facing this country.

Let me say on the capital, certainly, in an ideal world, it would be nice to have lots of capital, given that I might want to go here or here. So any kind of place between here and here, I view as an improvement. So I can certainly commit to you I am the last person to ever let the perfect be the enemy of the good.

I think if we can get to a reasonable capital level that

avoids the losses during the crisis and does so--and I believe we can do so in a way that will maintain affordability. It is important to keep in mind that we see in the corporate debt markets that the higher leverage a company has, the more it pays on its debt, and primarily, the cost of mortgages for Fannie and Freddie are not driven by the cost of capital but driven by the cost of debt that, in fact, having some less leverage should actually make it cheaper for them to borrow.

But, last, let me emphasize Fannie and Freddie's primary role, in my opinion, is to be there during the downturn, and we saw in 2009 and 2010 where they pulled back because they were so highly leveraged, and they did not play the role they were supposed to play because they did not have enough capital going into the crisis.

Senator Warner. Well, again, I think as somebody who has spent more time on this subject than I ever wanted to spend. I think there are areas here where we can make improvements, but I am terribly afraid that bank-like capital requirements of the GSEs--one of the reasons why I think it is so essential that we have this kind of a backstop would dramatically increase affordability concerns.

I would also argue that one of the things that we need, and some of us have proposed, is on any loan that was guaranteed, a dedicated revenue stream that would go toward housing goals, that would go toward low-income, first-time homebuyers, and whatever reform takes place, I hope would include that.

Let me quickly, before the clock ticks down--one of the areas that we have not touched on, we know you want to shrink the footprint of the GSEs, but one of the areas that did not create a crisis was multifamily. GSEs now have about nearly a 50 percent share of the multifamily. Do you think that we ought to--this was an area that was not broke, but would you think that we ought to dramatically shrink the GSE's footprint within the multifamily range?

Mr. Calabria. Let me, first of all, fully agree the multifamily portfolio seemed to perform well during the crisis, and of course, they were much better underwritten than the single-family portfolio. And I do not believe we need the same sort of changes in the multifamily side of the GSEs that we need on the single family----

Senator Warner. Again, my concern is this is an area that survived through the crisis. If we are going to deal with affordability, multifamily is going to be an absolutely critical component, and I would be very, very reluctant, even as somebody who has advocated for some fairly major reform, that we take that old admonition of ``first do no harm.''

Thank you, Mr. Chairman.

Chairman Crapo. Thank you.

Senator Kennedy.

Senator Kennedy. Thank you, Mr. Chairman.

Gentlemen, I only have 5 minutes, so I would ask you to please answer my questions directly. I know you know a lot, but try to answer my questions.

Mr. Patel, tell me what the community banks in our country did to contribute to the 2008 meltdown.

Mr. Patel. Senator Kennedy, thank you for the question.

Senator Kennedy. You do not need to thank me. You can just answer.

Mr. Patel. Sure. So I have deep background in----

Senator Kennedy. What did the community banks do to contribute to the 2008 meltdown?

Mr. Patel. To answer your question, this is why the Department of the Treasury is called for tailoring and why----

Senator Kennedy. Did the community banks in 2008 contribute to the banking meltdown?

Mr. Patel. They were not a substantial part of the cause of the----

Senator Kennedy. OK. Then why have we tried to regulate them half to death?

Mr. Patel. Senator Kennedy, again, thank you.

I commend the work of this Committee on a bipartisan basis to----

Senator Kennedy. Do you believe that we should--we should lighten the regulation, not remove the regulation, but lighten the burdensome regulation on community banks?

Mr. Patel. I fully support appropriate tailoring, which is reflected in both the Treasury----

Senator Kennedy. That is a yes?

Mr. Patel. Yes.

Senator Kennedy. OK. Do you believe we still have banks that are too big to fail?

Mr. Patel. Senator, I believe comparing to precrisis levels that financial institutions on the whole are better----

Senator Kennedy. Do you believe that we still have banks that are too big to fail?

Mr. Patel. Senator Kennedy, I again believe in the aggregate that we have greater visibility and resolvability. The system----

Senator Kennedy. Yeah. But do you believe we still have banks that are too big to fail? Am I missing something here? I am not connecting with you.

Mr. Patel. Yes. Sir----

Senator Kennedy. Do we still have banks that are too big to fail? Now, you are going to run financial institutions in this country. That is kind of a basic question.

Mr. Patel. It is, and I think that the circumstances surrounding failure are very fact-dependent.

Senator Kennedy. Yeah. Do you think we--well, you are not going to answer the question, are you?

Mr. Patel. Again----

Senator Kennedy. Let me try another one.

Mr. Patel. OK.

Senator Kennedy. We did have a financial meltdown in 2008, right?

Mr. Patel. We did, yes.

Senator Kennedy. Oh, thank God.

Do you find it embarrassing that many financial institutions that contributed to that meltdown were not held accountable, and not just the institutions but the people responsible?

Mr. Patel. Senator, I strongly believe in protecting taxpayers, and I hope that we never have to live through another set of events like the events from----

Senator Kennedy. Mr. Patel, I am not going to vote for you if you do not answer my questions. I do not mean to be rude.

Mr. Patel. OK.

Senator Kennedy. But I need answers, OK? You know we have limited time. I just burned about 20 seconds. We should get you to do your job.

Mr. Patel. We should hold accountable those responsible.

Senator Kennedy. And we did not, did we?

Mr. Patel. In some cases, we did not.

Senator Kennedy. Right. See? That was easy.

Mr. Patel. I apologize.

Senator Kennedy. I mean, I am not against big. I am against dumb. I am against not properly—I am not a big regulation kind of guy, but I am against not properly regulating our financial markets. The emphasis is properly, and you have got to do that.

Mr. Patel. I commit to you, sir, that if I am fortunate enough to be confirmed, I will work with you and try to address your concerns.

Senator Kennedy. And I appreciate that.

Doctor, let me ask you a question, please. You mentioned—and if you could just give me a quick answer. You mentioned there were alternatives to the bank bailouts?

Mr. Calabria. Yes.

Senator Kennedy. Briefly, what were they?

Mr. Calabria. So I think we could have essentially done debt equity swaps that would have put the debtholders—at risk, what we are trying to accomplish with TLAC.

Senator Kennedy. OK. What else?

Mr. Calabria. I think some of these companies just should have gone to the bankruptcy. I think we could have done prepackage bankruptcies, debt equity swaps. I think there are a large number of options, and of course, I believe it is important that we treated all institutions the same.

Senator, as you were alluding to, we let small banks fail, and we did not let big banks fail.

Senator Kennedy. Let me ask you another question. This is kind of open-ended, and I have got 40 seconds. So you are going to have to give me the CliffsNotes versions.

You are King for a Day. Forget the politics. Forget the personalities. What would you do, writing on a blank slate, to fix the GSEs?

Mr. Calabria. I would make them subject to the same regulatory and legal structures that every other large financial institutions is subject to.

Senator Kennedy. Thank you.

Mr. Calabria. You are welcome, Senator.

Senator Kennedy. Thank you, Mr. Chairman.

Chairman Crapo. Thank you, Senator.

Senator Warren.

Senator Warren. Thank you, Mr. Chairman.

Thank you all for being here today.

So for generations, buying a home has been the number one way that working families build wealth, a home, not only a place to live, but also an asset that may appreciate, that may be collateral for a new business. If grandma can hang on to the house until she dies, it boosts the chances for the next generation.

So, for decades, America subsidized housing purchases for white families, but this country deliberately discriminated against black families trying to buy homes. Redlining and other discriminatory tactics were outlawed more than 50 years ago, but today, the gap in the home ownership rate between black homeowners and white homeowners is bigger than it was back when housing discrimination was legal.

So, Dr. Calabria, you are an economist who studied the housing market for years. Are you concerned about the home ownership gap between black and white Americans?

Mr. Calabria. Absolutely, Senator.

Senator Warren. Good. Me too.

So Congress requires the Federal Housing Finance Agency,

the FHFA that we are talking about today, to set affordable housing goals. If you are confirmed as Director, that is going to be your job. You are right in charge of that, and that is what will determine whether or not lenders have the liquidity they need to make mortgages to low and very low-income families in poor neighborhoods, many of which are families of color.

But here is a problem. You have already made clear that you want to gut these housing goals. You testified in 2011 that it is ``beyond debate'' that these affordable housing goals contributed to the financial crisis. You think that, but the 10-person Financial Crisis Inquiry Commission, which was commissioned by Congress to make the definitive findings about the causes of the financial crisis, concluded after a year-long investigation that included 19 days of public hearing and the review of millions of documents and interviews with more than 700 witnesses that the affordable housing goals did not cause the subprime crisis. And in a separate 2014 study by the St. Louis Fed, they reached the same conclusions.

So, Dr. Calabria, we have a lot more information about what causes the financial crisis than we did back when you testified in 2011.

So let me ask. Do you still think that the affordable housing goals played a big role in the crisis?

Mr. Calabria. Senator, if I could just quickly read from Chapter 17 of the Federal Crisis Inquiry Commission: ``Affordable housing goals imposed by the Department of Housing and Urban Development did contribute marginally to these practices.''

Senator Warren. Marginally.

Mr. Calabria. And I would agree with that statement, marginally. That is my position today.

Senator Warren. So your shift--you have shifted from 2011. You now say it had a marginal effect on it; is that right?

Mr. Calabria. Senator, I believe there is a marginal effect, modest effect.

Senator Warren. And the 2014 study by the St. Louis Fed, which says, no, it did not have any effect, do you agree with them? I take it no.

Mr. Calabria. I have not read the study, Senator.

Senator Warren. OK. You have not looked at that study?

Mr. Calabria. I read a lot, but I cannot catch everything. But I will--let me--let me absolutely commit to you.

Senator Warren. OK. Never mind. We are going to be out of time here.

So by the early 2000s, home ownership rates for families of color had finally begun to increase in a meaningful way, and then the shady lenders move in. And they target black and brown families with the worst scams and the most abusive mortgages.

According to the FDIC, these loans were rarely used to meet affordable housing goals. When these loans blew up, that is what crashed the economy, not affordable housing goals that helped more than 25 million families, including many families of color become homeowners.

So let me ask. If you are confirmed as Director of the FHFA, will you commit to preserving strong affordable housing goals?

Mr. Calabria. Within the confines and direction of the statute, absolutely yes.

Senator Warren. All right. So that is important because--I want to hear that. Today, the median black family in America has about \$2 in wealth for every \$100 in wealth that the median

white family in America has. Fixing the home ownership gap is a key element to addressing the racial wealth gap.

Home ownership is the American dream in no small part because it provides financial security for families, and if we have an FHFA Director who does not feel the urgency of opening doors to home ownership for creditworthy families of color, then we cannot go forward and cannot have my vote.

Mr. Calabria. Senator, I am absolutely committed to making sure that those opportunities are there. My concern is simply to make sure it is done in a sustainable manner that keeps those families in those homes.

Senator Warren. So if they are creditworthy, though, you are going to keep the door open on affordable housing goals. Are we right?

Mr. Calabria. Absolutely yes.

Senator Warren. We understand this?

Mr. Calabria. We--meeting of the minds here, as lawyers would say.

Senator Warren. All right. Thank you.

Chairman Crapo. Thank you.

Senator Tillis.

Senator Tillis. Thank you, Mr. Chairman.

Mr. Calabria, you are in luck. You are not going to get my first question.

[Laughter.]

Mr. Calabria. Thank you, Senator.

Senator Tillis. Actually, before I get started, I have a staff down at the end of the dais. So I would like for the seventh graders who are in the audience to stand up really quickly--I do not even know if this is within the rules--so we can take a quick picture of you, and we will send it back to you.

Welcome.

Yeah, right over there.

I am using my time here. So I do not know if that was untoward, but----

Chairman Crapo. I was going to say you are using your time, but you can go right ahead.

[Laughter.]

Senator Tillis. Of course.

This is the first time I have had to call you ``Mr. Hood.'' Normally, it is just ``Rodney.'' But it is good to see you here, and thank you so much for your service on the Board of Governors. You made me very proud there, and I know you are going to make me proud here.

You have experience in the agency. You know me. Back in the time that I was Speaker, I was all about lean regulations, not un-regulating, but regulating in as lean a way possible.

Tell me--and then maybe you and Mr. Harper can determine whether or not you agree or disagree on the approach, but tell me what we can do to better streamline and reduce the regulatory burden as long as we understand that--to a level that we are managing the risk, what kind of priorities would you try to set or encourage in your capacity back on the NCUA?

Mr. Hood. Thank you, Senator Tillis, for your time, your support, and for your question this morning.

I am a safety and soundness regulator, sir, and if confirmed, I would continue to work to make sure that regulation at NCUA remains effective but not excessive.

In returning to the agency, when I was last there over a decade ago, we as a board would review one-third of the credit

union regulations every year, such that in every 3-year cycle, all 100 percent of those rules and regulations have been evaluated so that we could determine which ones were still relevant, which ones were still germane for maintaining safety and soundness. So I will go back with that mindset.

Senator Tillis. Mr. Harper, would you agree with that approach?

Mr. Harper. Yes, more or less.

The point I would make is that it is very important to tailor the rules. Credit unions have a wide range in size. The smallest is perhaps what? \$20,000 in size?

Senator Tillis. I am glad to hear you say that because I think, conceptually, you need to apply the same process that we have suggested within 2155, the Regulatory Reform Act, for banking institutions. You need to understand their activities, their portfolios, their size. All of those play into the extent to which they need to be regulated, and I hope you will go on with that in mind because, frankly, I worry postcrisis about the financial services ecosystem. I worry about de novo banks, small banks, and credit unions play an important role in that. They fared pretty well in the crisis, quite honestly, but they have kind of gotten swept up in the regulatory reactions afterwards.

So I am looking forward to you all getting in there and getting to a lean place.

Mr. Patel, you have got an extraordinary story, you and your parents, and I appreciate you being here. You are going to be in the mix for FSOC, and I am a little bit worried about--again, I am a lean regulation--everybody thinks lean regulation means no regulation. I mean the least amount of regulation to manage an identifiable risk out there.

But I am beginning to think there may be some drift in FSOC to where nonbanking financial institutions could be swept in and actually have additional regulations, even in this Administration. What can you do to assure me that that is not the path we are going to take, should you be confirmed?

Mr. Patel. Senator Tillis, thank you for the question.

The council is currently considering alternative approaches to the previous council's nonbank's designations policy. Among that, we are looking at things like increased transparency, the inclusion of cost-benefit analysis requirements, which I think is an important hallmark of all financial regulation. Government policy should not be enacted if it does more harm than good, and we should take stock of the burdens that regulation imposes while being mindful of systemic risk.

Senator Tillis. Well, I appreciate you doing that because I can tell you if you do not come back with a clear cost-benefit analysis, count me in as the person writing the resolution of disapproval to try and deprive you of having that authority moving forward. So do not put me in a position where I would have to do that.

Mr. Calabria--by the way, I am supporting all your nominations. You have all done great work. Mr. Calabria, you have done great work.

I guess I would give compliments to the other three of you who have never posted a blog, apparently.

[Laughter.]

Senator Tillis. And, Mr. Calabria, I would just say I have seen some of your writings. You are a brilliant person. We are going to need your help in seeing if there is any way that we can actually make progress on GSE reform. I am not sure that we

can in this Congress.

Thank you all for being here.

Chairman Crapo. Thank you.

Senator Smith. Thank you very much, Mr. Chair and Ranking Member Brown, and thanks to all of you for being here today and for your willingness to serve our country.

Dr. Calabria, you are back in the questioner's seat, I think.

You said earlier that home ownership is a fundamental plank in our country, and the problem, of course, is that that plank cannot be found in a lot of parts of our country.

I appreciate you coming in and talking with me in my office a couple of days ago, and we talked about the availability of quality affordable housing in rural areas and what a challenge that that presents to these communities' stability and growth and economic development, not to mention the opportunity for rural families. Of course, this issue is even greater for Native Americans on tribal lands, even greater obstacles in finding affordable housing and access to credit. And this is an issue, a big issue in Minnesota and also around the country.

So when we talked about this in my office earlier, we had a general conversation about how affordable housing is good, but I want to dive into that a little bit.

As you know, Fannie Mae and Freddie Mac have released their first-ever Duty to Serve plans, as required under HERA, and these 3-year plans list specific and measurable commitments to invest in and to promote affordable mortgages in unserved markets, like in rural markets and Native communities.

So, Dr. Calabria, how can you square what you have written earlier around the elimination of GSE affordable housing goals, and what is in these Duty to Serve plans and your vision for the GSEs? How do you square that?

Mr. Calabria. So, Senator, I think one of the things that makes me uniquely qualified is having been part of the structure that came up with those, both the Duty to Serve, the Trust Fund, as well as the Capital Magnet Fund, were largely structured, crafted, drawn by myself and Senator Reed's staff. So I have got the benefit of the legislative history that was there, and I can certainly say my sense of that legislative history is none of those things were meant to come at the sacrifice of safety and soundness. And so my concerns that have been expressed since the crisis is that there is not a framework of safety and soundness or capital to protect us against taking more risk.

I think the ultimate goal here is that we can come together and build a framework for the GSEs where there is capital, where there is sufficient regulation, and if we have got that framework, I believe that we can make advances and take more risks.

Senator Smith. So what will you do to ensure that the GSEs continue their support for affordable housing and mortgage lending in rural areas and Native communities?

Mr. Calabria. First, let me recognize having grown up in rural America, I am very cognizant of the unique economic issues that face it.

I also had the privilege, benefit, as a Committee staffer to visit a number of tribal communities across this country, and of course, one of the first things I would try to do is have FHFA work with the Bureau of Indian Affairs. We know that there are very unique titling problems in tribal communities that make it very difficult to do standardized mortgage

lending.

Senator Smith. Yes, we talked about that.

Mr. Calabria. And I think that we really want to focus that.

Let me also say, because I think it is incredibly important--it is outside of the scope of FHFA--one of the biggest constraints in affordable housing in this country is zoning, and I really do think the recent changes in Minneapolis are some smart moves that I hope a number of other cities around America copy.

Senator Smith. Thank you. I think they have done some smart things in Minneapolis, and I appreciate you mentioning that.

Let me ask you. Can you commit to retaining the targeted initiatives for rural areas and tribal lands in the Duty to Serve plans----

Mr. Calabria. Yep.

Senator Smith. ----if the GSEs are reformed or restructured in any way?

Mr. Calabria. I absolutely, Senator, commit to having those continue to be part of the process.

As an economist, I want to be able to also commit that we collect data on this and we make sure that we are best targeting these programs in a way that we are effective and receive results.

Senator Smith. But does continuing to have them be part of the process mean continuing to keep them in place?

Mr. Calabria. Keep them in place as long as the existing regulatory structure is there.

Of course, I think if the Committee decides to take a different route legislatively, I do believe we can look at a number of options.

But within--if confirmed, within my authorities of Director, I will be fully committed that as long as those are the law and the statutes that I will carry them out as intended.

Senator Smith. OK. I just have a couple of seconds left, but I appreciate very much, Mr. Hood and Mr. Harper, you being here. Credit unions are incredibly important in my State and especially in rural areas. So would one of you just in the few seconds that I have left--and I would love to submit my question for the record to get your fuller response. Can you tell me a little bit about the role that you see credit unions playing in and creating better access to credit in rural areas?

Mr. Harper. I think that is an incredibly important issue and that NCUA has adopted rules and regs that allow credit unions and help facilitate getting into the rural areas, and if confirmed, certainly underserved markets like rural areas would continue to be a priority for me.

Senator Smith. Mr. Hood.

Mr. Hood. If I may, Senator Smith. I too agree that credit unions can play a role in bringing affordable home ownership to rural America.

Prior to joining NCUA over a decade ago, I worked at USDA Rural Development, where I have managed the Single Family Housing Programs. So I would like to find innovative ways to engage credit unions in bringing home ownership opportunities to areas such as yours in rural America.

Senator Smith. Thank you very much.

Chairman Crapo. Senator Van Hollen.

Senator Van Hollen. Thank you, Mr. Chairman, and congratulations to all of you on your nominations.

Mr. Calabria, there has been a lot of discussion about the 30-year mortgage and your views on the 30-year mortgage. So let me see if I can just summarize what I understand is your position. That you will not take any action under your authority to reduce the current Government support for the 30-year mortgage; is that right?

Mr. Calabria. That is correct, Senator.

And if I could take it a moment aside----

Senator Van Hollen. I am sorry.

Mr. Calabria. Quite all right.

Senator Van Hollen. I am just looking--as Senator Kennedy said, time is short.

As you are well aware, there are articles that have been put out that Mr. Otting at the OCC together with the Administration, the White House and Treasury, have a plan to reform the GSEs. Are you familiar with their plan?

Mr. Calabria. I have not seen anything that looks like a plan.

Senator Van Hollen. OK. Because it is curious because they say it is a White House-Treasury plan. Of course, you work for the Vice President, but you are telling us today you have no idea what they are talking about here.

Mr. Calabria. Senator, once it became clear in the fall that I would be the nominee, I took myself out of any internal--I felt it was important for maintaining the independence of FHFA that I stopped being part of any internal dialog, once again, that was inside my nomination.

Senator Van Hollen. I know the Ranking Member asked you some questions on this. The fact that Mr. Otting has said that you have signed off on this, you have not signed off? If you have not seen a plan, you cannot sign off on it, right?

Mr. Calabria. Correct. If I could--my belief of what Mr. Otting has said----

Senator Van Hollen. That is all right.

Mr. Calabria. That is all right.

Senator Van Hollen. You have not signed off on it. You do not even know of any plan; is that correct?

Mr. Calabria. Correct.

Senator Van Hollen. You do not know of any plan. OK.

As you indicated, you were very much a part of writing the HERA law, and as you indicated, the Housing Trust and Capital Magnet Funds are big parts of that. In fact, just yesterday, the CDF fund announced 38 organizations around the country would receive funds from the Capital Magnet Fund, including some from Baltimore in Maryland.

So, as I understand your testimony today, you are committed to continuing to pursue those programs; is that correct?

Mr. Calabria. Within the confines of the statute, yes.

Senator Van Hollen. OK. So the statute, as I understand it, says that you, if confirmed, would be able to temporarily suspend the allocation of the funds if they contribute to financial instability.

My question to you today is, Do you have any indication today or in the foreseeable future that that standard would be triggered?

Mr. Calabria. Senator, the trigger is mechanical. I do not see anything today, of course, subject to--I am not inside the agencies. I do not have access to confidential supervisory information, but everything that I am aware of publicly would suggest to me that that trigger is not in danger of being tripped, if you will.

Senator Van Hollen. And so long as that trigger is not tripped, you will continue to provide robust support; is that right?

Mr. Calabria. That is correct.

Senator Van Hollen. OK, thanks.

Now, I do want to get at this issue my colleague has raised--the Ranking Member mentioned your quote about deadbeat--because it is important going forward to figure out what the cause of 2008, and there were lots of causes. But there is no doubt you have weighed in disproportionately on this theory that it was caused by the GSEs and CRA.

Let me ask you about CRA. Do you agree it is an important tool to prevent redlining and discrimination in lending?

Mr. Calabria. I agree it has been.

Senator Van Hollen. I am sorry?

Mr. Calabria. Yes.

Senator Van Hollen. And do you agree that we continue to see redlining and discrimination in lending?

Mr. Calabria. I believe that we do.

I do want to clarify. I have never anywhere put CRA anywhere in the top 10 of--I have talked about a number of factors that I think have caused the crisis. I believe my writings have all expressed that CRA and the housing goals were modest, at best, and that there were much bigger causes.

Senator Van Hollen. Well, you have written about it. I mean, I have an article here----

Mr. Calabria. That is right.

Senator Van Hollen. ----I think from 2009, and the headline is ``Does CRA Undermine Bank Safety?'' And you go on. It is to suggest that it was a not insignificant component, which is at odds with other findings. I do not know if you want to----

Mr. Calabria. Senator, the blog post in question references a study done by the Dallas Federal Reserve Bank that simply found a relationship between poor CAMEL ratings and high CRA ratings. I certainly think supervisors should take a look at that and make sure that CRA ratings are achieved not at the expense of safety and soundness, and I believe we can achieve them not at the expense of safety and soundness.

Senator Van Hollen. I appreciate this because, as you know, others have looked at this, including John Dugan, who was, of course, OCC head during the crisis who said that the CRA is not the culprit behind subprime mortgage lending.

So I do have concerns about the fact that the overwhelming weight of your writing suggests that lending to minority communities or communities that--while they have--can get good credit ratings have been overlooked by the market were the primary culprit. It just seems the overwhelming weight of evidence does in the other direction.

I understand you are acknowledging that today when you said, in response to Senator Warner's question, that it was just marginal with respect to GSEs; is that right?

Mr. Calabria. That is right, and personally, I believe my writing reflects those as being marginal causes.

Senator Van Hollen. OK. Thank you.

Thank you, Mr. Chair.

Chairman Crapo. Thank you.

Senator Cortez Masto.

Senator Cortez Masto. Thank you.

Welcome, gentlemen. Congratulations on your nominations. Welcome to your families. It has been a long morning. I realize that. You only have 10 minutes left, though, so we are almost

through it.

So for that reason, I have got 5 minutes. Dr. Calabria, thank you for meeting with me. I really appreciate the conversation in my office.

But let me jump back here because I heard you say that you support affordable housing goals, but also incorporated within that, you want sustainable home ownership; is that correct?

Mr. Calabria. That is correct.

Senator Cortez Masto. OK. So can I ask you do you believe that--or let me ask you this. You oppose downpayments of less than 5 percent and at times even want to see downpayments at 10 percent or higher. Is that true?

Mr. Calabria. I think we need to look at downpayments in a holistic sense. I think it depends on other things such as DTI, such as FICO scores. So I think we have to take each loan holistically.

I think there are plenty of circumstances where even zero downpayment lending is sustainable, but I do think we need to avoid the risk layering that was such a problem during the crisis.

Senator Cortez Masto. I am glad you brought up FICO scores because you suggested also that only people with FICO credit scores of 700 should be able to get a mortgage; is that true?

Mr. Calabria. That is a very broad statement.

I certainly do not think there should be any legal prohibition in the mortgage market against any sort of FICO score.

Senator Cortez Masto. Good, because that would affect half of the people in the State of Nevada who have FICO scores under 700.

If you are appointed to head the Federal Housing Finance Agency, will you insist that homeowners have \$15,000 or \$20,000 in cash before they can buy a home?

Mr. Calabria. Senator, the number--I do not believe I have ever written that, but the number strikes me as a bit arbitrary.

I do think it is important for people to have cash reserves. That has clearly got to depend on the house in question, the mortgage in question, the borrower in question. So I do not think it is--probably more a ratio would be more significant, but I do think we need to prepare families for when the boiler goes out or a new roof. I mean, we need to make sure that people can be prepared to meet the expenses of home ownership when they are there.

Senator Cortez Masto. Well, can you identify for me what you mean by sustainable home ownership and what you would do differently?

Mr. Calabria. So what I would do differently is looking at the factors that do not--that do not end up keeping--so that they just do not funnel through. That they get a mortgage. They are out of there 6 months, a year, 2 years. If we want to put a number on it, I think the ability to sustain the mortgage without defaulting--obviously, there are going to be life events that may hit you, but if we are seeing these mortgages--and we saw a lot of early payment defaults during the crisis. If a mortgage goes bad in 3, 5, 6 months, there is something wrong with that, whether it is the lender, the borrower, or somebody, and so making sure----

Senator Cortez Masto. What if it is not the borrower's fault?

Mr. Calabria. Then we should go after the lender. I have

made such proposals in the past. I have suggested, for instance, that FHA be aggressive with lenders that default within the first 6 months.

Senator Cortez Masto. I have got 2 minutes left. Thank you.

Let me ask you this. You have written about bringing back recourse in the foreclosure plan, and what it sounds like to me is you are willing to expand recourse lending; is that true?

Mr. Calabria. Well, first of all, many products, such as the 203(b) FHA program are recourse products. I think what we need to keep in mind is----

Senator Cortez Masto. But they are not--they are actually not utilized, though, so that is my concern.

Mr. Calabria. But it is the law.

Senator Cortez Masto. Yeah.

Would you actually trigger that, and would you engage in that or support recourse lending?

And let me just say this because I do not understand why a mortgage lender, other than the underlying security or the loan asset, which is the house, why they should get more than that, why they should be able to go after a homeowner's car, their retirement fund, their life savings on a mortgage loan----

Mr. Calabria. So, first, let me----

Senator Cortez Masto. ----instead of just the underlying security, which is the house.

Mr. Calabria. Let me first emphasize that a lender should never be able to get more than the size of the loan, but the empirical evidence suggests that the existence of recourse expands mortgage access and lower risk cost. And I think we need to be looking at--cognizant of anything that we do that reduces access and increases costs.

Senator Cortez Masto. So would you support that at the Federal level, recourse--expanding recourse lending?

Mr. Calabria. I am comfortable with that remaining at the State level.

Senator Cortez Masto. So you would not employ that at all--
--

Mr. Calabria. I do not believe that----

Senator Cortez Masto. ----and support it in any way at the Federal level?

Mr. Calabria. I do not believe at the Federal level, other than the Federal products that might already include that.

Senator Cortez Masto. Thank you.

I have got 30 seconds left. Let me ask Mr. Harper and Mr. Hood very quickly. The NCUA has a proposed rule exempting commercial loans under \$1 million from appraisals. Do you have any concerns that allowing loans of a million dollars without appraisals could lead to higher defaults and a hit on the Share Insurance Fund?

And let me start with Mr. Hood.

Mr. Hood. I am not totally familiar with what is taking place now NCUA, Senator Cortez Masto. If confirmed, I would work with agency staff to really understand what they are implying with the exemption of the \$1 million for commercial loans.

Senator Cortez Masto. Thank you.

Mr. Harper.

Mr. Harper. I would agree with your concerns about raising the appraisal.

One thing in particular that I would want to look at is where the other regulators are, which I believe is at a different level for that particular product, and for me,

consistency across regulations is an important thing.

Senator Cortez Masto. Thank you.

Thank you, gentlemen.

Chairman Crapo. Thank you.

Senator Reed.

Senator Reed. Well, thank you, Mr. Chairman.

I would like to say they have saved the best for last, but all I can say with assurance is they saved the last for the shortest Member of the Committee.

Dr. Calabria, let me begin by thanking you for your help in 2009 on the HEARTH Act. It is very important for homeless individuals, and the problem is still with us, as you well know.

But let me also try to complement and reaffirm Senator Van Hollen's comments about the Capital Magnet Fund and Housing Trust Fund.

On a bipartisan basis, we found that these are absolutely crucial because they are outside the appropriations process. They are dependable sources of funds for affordable rental housing.

Indeed, Senator Collins and I just wrote to the FHFA's Acting Director to ask him to maintain this critical funding.

So, in that spirit, will you commit to continue funding the Capital Magnet Fund and the Housing Trust Fund if you are confirmed?

Mr. Calabria. Within the confines of the statute, absolutely yes.

Senator Reed. And from my listening to Senator Van Hollen's questioning back and forth, there is a technical provision you cited that may prevent you from doing that?

Mr. Calabria. It is a mechanical trigger, so it is not discretionary.

I would put it this way. That mechanical trigger is only going to be tripped. However, if the GSEs are essentially failing, I certainly take very seriously that if confirmed, my primary responsibility as a prudential regulator is to make sure that does not happen.

Senator Reed. Thank you. Well, I will take that as an optimistic, confident ``yes, I will.'' Thank you.

You were with us on March 15th, 2012, for a very good hearing on the FHFA, and you said, and I quote, ``I agree that I think that their conservatorship powers are quite broad. Where I would draw the distinction is I do not believe they allow, in my opinion, FHFA to take systemic overall marketwide effects into account in what they do,'' which raises the question: If you are confirmed, do you believe that you must ignore the market impacts of the decisions you would make at FHFA? For instance, if a particular decision would result in a shrinking mortgage market or would squeeze out responsible borrowers, would you be unable to take that into your considerations?

Mr. Calabria. Senator, it would seem to me that since the primary consideration of conservatorship is to protect the safety and soundness of the entities, that anything that I would do that would weaken and potentially push down the housing market would obviously impact the safety and soundness of the entities.

So, certainly, the broader macroeconomic impact that undermines the purpose of the conservatorship would have to be considered, in my opinion.

Senator Reed. It does seem to be somewhat different than

the comments you made at the hearing. Would you acknowledge that?

Mr. Calabria. Senator, that was a number of years ago. I do not have----

Senator Reed. No, this is not a, you know, ``gotcha.'' The point is that your view is a holistic one, that significant decisions you will make that would have an impact on the market or looking at the market would inform those decisions, correct?

Mr. Calabria. Correct. And I do believe they would have to have market-wide impacts. So there certainly could be modest changes that do not impact the market overall that are not relevant to the conservatorship that I do not believe I would have the authority to address.

Senator Reed. But if it was a significant impact on affordability of housing, on access to mortgages, those things, you would have to take that into consideration?

Mr. Calabria. Absolutely, because that would directly impact the safety and soundness of the enterprises.

Senator Reed. Thank you very much.

Gentlemen, good luck, and thank you very much.

Mr. Calabria. Thank you, Senator.

Chairman Crapo. Thank you, Senator Reed.

And that concludes the questioning for today's hearing.

For the Senators who wish to submit questions for the record, those questions are due to the Committee this coming Tuesday, February 19th.

And we ask our nominees to respond to those questions no later than the close of Friday, February 22nd.

I thank you again to each of you for your willingness to serve and for being here today, and with that, this hearing is adjourned.

Mr. Hood. Thank you.

[Whereupon, at 11:52 a.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO

This morning we will hear testimony on the nominations of Bimal Patel, to be Assistant Secretary of the Treasury for Financial Institutions; Todd Harper, to be a Member of the National Credit Union Administration Board; Rodney Hood, to be another Member of the National Credit Union Administration Board; and Mark Calabria, to be Director of the Federal Housing Finance Agency.

Welcome, all of you. I see friends and family behind you, and I welcome them here today as well.

Mr. Patel has been nominated to serve as Assistant Secretary of the Treasury for Financial Institutions.

In this role, Mr. Patel would be responsible for Treasury's efforts on legislation and regulation concerning financial institutions, and overseeing the Terrorism Risk Insurance Program and Community Development Financial Institutions Fund.

Mr. Patel brings a wealth of knowledge on financial services policy and regulation, stemming from extensive experience in both the private and public sector.

Since May 2017, he has served as Treasury's Deputy Assistant Secretary for the Financial Stability Oversight Council, or FSOC, where he is responsible for overseeing FSOC staff and activities.

Prior to joining Treasury, Mr. Patel provided financial policy and regulatory expertise as a partner at O'Melveny and Myers, LLP, including as Head of the Financial Advisory and Regulation Practice, and served as senior advisor to Director Jeremiah O. Norton at the

Federal Deposit Insurance Corporation.

Mr. Harper and Mr. Hood have both been nominated to the board of the National Credit Union Administration (NCUA).

The NCUA plays a critical role in overseeing and insuring a major segment of our Nation's community financial institutions: federally insured credit unions.

Each of these nominees comes with prior NCUA experience.

Mr. Harper led the Office of Public and Congressional Affairs and served as the chief policy advisor to the NCUA Chairman between 2011 and 2017.

Before that, he had a long career focusing on the financial services industry on Capitol Hill, including as the staff director of the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the House Financial Services Committee, and as legislative director for former Congressman Paul Kanjorski.

Mr. Hood currently serves as a corporate responsibility manager for JPMorgan Chase, where he manages partnerships with organizations that serve community development, civil rights and disability community.

Between 2005 and 2010, Mr. Hood served as a member of the NCUA, including being elected as its vice chairman.

Before that, he served in the Senior Executive Service as the Associate Administrator of the Rural Housing Service at the U.S. Department of Agriculture.

Dr. Calabria is a leading expert on housing and mortgage finance, and a respected Ph.D. economist.

He has nearly 30 years of experience interacting with the housing market from the perspective of academia, Government, industry, trade associations, and think tanks.

Dr. Calabria has dedicated the majority of his career to public service, including as Deputy Assistant Secretary of Housing and Urban Development, nearly a decade as a Senior Professional Staff Member to this Committee, and now as Chief Economist in the Office of the Vice President.

Dr. Calabria has also worked for the National Association of Realtors, the National Association of Homebuilders, the Farm Credit Council, the Harvard University Joint Center for Housing Studies, and recently at the CATO Institute, as Director of Financial Regulation Studies.

Over the course of his public service career, Dr. Calabria has a long history of working across the aisle to deliver meaningful, lasting reforms.

He played a key role in a number of bipartisan legislative achievements, including the HEARTH Act, which strengthened our Nation's homelessness assistance programs, and HERA, the law which established FHFA and created the position to which he has been nominated.

Throughout his career, Dr. Calabria has worked to champion market reforms that benefit consumers, and enhance the safety and soundness of our housing finance system.

At FHFA, Dr. Calabria would continue to work toward these objectives as regulator of Fannie Mae, Freddie Mac, and the Federal Home Loan Bank system.

He would also be charged with protecting taxpayers, ensuring responsible access to mortgage credit, and serving out FHFA's statutory mandate to conserve and preserve the assets of Fannie Mae and Freddie Mac.

Members of this Committee are incredibly cognizant that a full decade has now passed since the Government asserted control of the GSEs.

After 10 years of market recovery, these mortgage giants remain stuck in conservatorship, with taxpayers still on the hook in the event of a housing market downturn.

It appears that the old, failed status quo is slowly beginning to take hold again, with the Government in some ways expanding its reach even further, entering new markets where it has never been before.

The status quo is not a viable option, and finding a comprehensive solution remains a top priority for me.

It is my view that action on housing finance reform is the prerogative of Congress, and my strong preference is for us to explore a legislative pathway forward.

However, FHFA can also play an important role in helping us move toward a more sustainable housing finance system facilitated by an engaged and strongly capitalized private sector.

If confirmed, I look forward to working with each of these nominees on many important issues within each of their respective policy areas, including: housing finance and other issues critical to taxpayers and homebuyers; data privacy and security; capital formation and corporate governance; and continuing efforts from last Congress to provide meaningful relief to homeowners, consumers, and smaller businesses.

Thank you all for your willingness to serve and for appearing before our Committee today.

PREPARED STATEMENT OF SENATOR SHERROD BROWN

Thank you, Chairman Crapo, for holding this hearing today on the nominations of Mr. Bimal Patel, Mr. Todd Harper, Mr. Rodney Hood, and Dr. Mark Calabria--congratulations to all of the nominees and welcome to your families and guests. I look forward to their testimony and responses to Members' questions.

While it is important that we consider new nominees in a timely manner--Mr. Chairman, I appreciate you including Mr. Harper in today's hearing--I want to remind my colleagues, four noncontroversial nominees to the Export Import Bank never received a vote on the Senate floor last Congress while nominees that were sent up from the White House months later were confirmed. We also continue to wait on the White House for nominees for Democratic positions at the SEC and FDIC.

All of today's nominees, if confirmed, have the opportunity to use their positions to improve the lives of American families. They can make it easier for families to buy homes with mortgages they can afford, they can encourage credit unions to offer fair products to Americans left behind by our banking system, and they can support policies that protect consumers and our financial system from risky activities at financial institutions.

Mr. Patel has been nominated to be Treasury Department Assistant Secretary for Financial Institutions. If confirmed, Mr. Patel would take on a new role at Treasury that covers a broad range of policy issues affecting financial institutions.

Mr. Harper and Mr. Hood have been nominated to the Board of the National Credit Union Administration, an agency they're both familiar with. Mr. Hood previously served as an NCUA Board Member from 2005 to 2010. Mr. Harper worked in the NCUA's office of Public and Congressional Affairs and served as the chief policy advisor to the Chair from 2011 to 2017. Both nominees possess a deep understanding of credit unions and the issues that affect them.

Finally, Dr. Calabria has been nominated to lead the Federal Housing Finance Agency.

Most Americans probably don't know that F-H-F-A exists. But as the regulator of the G-S-Es, it affects whether they can get a mortgage, how much they pay for that mortgage, and what kind of rental options they have. This is particularly true for low- and moderate-income families, and for communities that have been abandoned by Wall Street banks.

The housing problems facing families are clear: rent is too

expensive and too many communities--particularly communities of color--can't access safe, sustainable mortgages. These are the problems the next Director should be working to address. Dr. Calabria has a long history in housing policy. He was a staff member on this Committee when Congress passed the Housing and Economic Recovery Act creating F-H-F-A, so he is well aware of the significant influence he would have.

He's written extensively on the housing system, and particularly on the G-S-Es. Those writings raise serious questions about the impact that Dr. Calabria's actions could have on the housing market if his views are implemented. He has questioned the need for the 30-year fixed-rate mortgage and advocated against a Government guarantee for qualifying mortgage-backed securities. These positions contradict what we have heard from housing stakeholders who have appeared before this Committee over the past 4 years.

Dr. Calabria has also called for repeal of the G-S-Es' affordable housing goals, which help ensure that Fannie Mae and Freddie Mac are fulfilling their statutory missions to facilitate home ownership and rental housing for low-income families. In the last testimony he submitted to this Committee in 2015, Dr. Calabria said that the two primary tools facilitating private market home financing, the G-S-Es and F-H-A, ``should eventually be eliminated.''

Through the hearing this morning I hope to better understand if Dr. Calabria still believes that. When work has dignity, everyone can afford housing in their community. We know that's not true today. We're facing a housing affordability crisis. Wages are lagging far behind the increase in home prices. One in four renters spends more than half their income on rent.

Seven of the 10 fastest growing occupations don't pay enough to afford to rent a modest one-bedroom apartment, let alone save for a downpayment. The next generation of potential homebuyers is saddled with a mountain of student loan debt. Borrowers of color were systematically shut out of the housing market for generations, they suffered some of the biggest losses during the financial crisis, and they still face discrimination when trying to get a loan.

Those are the challenges we have to confront. We need a strong, mission-driven housing finance system working to make sure all Americans can afford safe, quality housing where they live, work, and send their kids to school.

I will be listening to see how Dr. Calabria's plans align with that goal.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF BIMAL PATEL

To be an Assistant Secretary for Financial Institutions, Department of Treasury

February 14, 2019

Chairman Crapo, Ranking Member Brown, and Members of the Committee, it is among the greatest privileges of my life to appear before you today. Thank you to the Senators and the staff members with whom I have met in advance of this hearing. If I am fortunate enough to be confirmed, I look forward to meeting with and working with all of you on the important issues in the portfolio of the Assistant Secretary for Financial Institutions.

My interest in serving our country begins with my parents, who are seated behind me today. Truthfully, neither my family nor I would be here today if it were not for the United States of America and all it stands for.

My Dad grew up as a peanut farmer in rural India. Raised in abject poverty, he was driven by an unshakeable determination to build a better life. Lacking resources, he immigrated to the U.S. primarily by

boat. Here, he pursued higher education, ultimately earning his Ph.D. from NYU. He worked incredibly hard over a 50-plus-year career, including operating a number of small businesses in my home State of Georgia and teaching at Spelman College, a Historically Black all-women's college in Atlanta.

Like my Dad, my journey to being before you today was not without adversity. I was born 3 months premature, weighing in at just two pounds and two ounces. When I was 2 weeks old, doctors put me in a room with a baby that had pneumonia. I contracted the pneumonia, and my brain was damaged. Doctors told my parents that I would never grow past four feet tall, that I would be incapacitated, and that I would die. I am so fortunate that the doctors saved my life and that my parents, particularly my Mom, always believed in me.

The common thread between my Dad's path and mine is that America made our improbable stories possible. Coming to America with nothing, my Dad found opportunities that only our country provides to give my brother and me the chance to realize our own dreams. Likewise, America is probably the only country where a child with brain damage and Cerebral Palsy would be accepted so completely and encouraged so unflinchingly to overcome such obstacles.

This journey has motivated me to serve and to try to repay the enormous debt I owe to our country, and I am proud to have accepted the call to public service when I have been asked. From 2012-2015, I served as a Senior Advisor at the FDIC, and I currently serve as the Deputy Assistant Secretary of the Treasury for FSOC.

In addition to Government service, I have practiced law at O'Melveny and Myers, most recently as a Partner and the Head of the Financial Advisory and Regulation Practice. In that capacity, I represented depository institutions of all sizes including many community banks and regional financial institutions. I have also advised on credit union structural and regulatory issues. And, I have previously represented community interest and charitable organizations on a pro bono basis on matters relating to financial regulation. One consistent objective of my work has been assisting depository institutions to better serve their communities and to provide a broader array of services to a greater number of customers.

I also love teaching and mentoring the younger generation--a passion that has led me to teach an undergraduate economics course on Banking Regulation at my alma mater--Stanford University--since 2014.

Above all, the thing that has drawn me to financial services is the unique connection between our financial system and American families and small businesses like those my Dad operated. At its best, our financial system is the force multiplier of our economy, linking savers to those who seek credit to pursue education, build businesses, and help their families to live better lives. Financial services also assist Americans in saving for retirement and in insuring loved ones against difficult life events and losses.

Thank you again for the opportunity and the honor of appearing before you today. I would be would be happy to answer any questions you have and would be humbled to earn your support for my nomination.

[GRAPHICS NOT AVAILABLE IN TIFF FORMAT]

PREPARED STATEMENT OF TODD M. HARPER

To be a Member of The National Credit Union Administration Board
February 14, 2019

Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for the invitation to testify before you today as a nominee to become a Board Member of the National Credit Union Administration. If confirmed, it would be an honor and a privilege to serve.

Moreover, I am humbled by the trust and faith placed in me by the Administration and the U.S. Senate. I am especially grateful to those

who have supported me in this process, including Chairman Crapo and his staff who moved quickly to consider me, the President and his aides who vetted and nominated me, and Democratic Leader Schumer and Ranking Member Brown who recommended me.

With nearly 25 years of Government experience primarily working for Congress on financial services matters and at the NCUA, I have gained broad knowledge of financial services regulatory matters and a deep understanding of the many policy issues facing the \$1.4 trillion credit union system and its 115.4 million members.

But my commitment to public service really started with my parents. As professional educators and community leaders, my parents instilled in me a strong desire to give back to others. They also taught me the importance of finding common ground when making decisions.

You see, before they fell in love and married, my mother was the president of the teacher's union and my father was the superintendent of schools. One was a Democrat and the other a Republican, yet during negotiations they would work together to reach the best possible deal for both sides.

I have carried their leadership lessons with me throughout my career. As a result, I have skillfully solved complex problems, reached bipartisan consensus where possible, and bridged differences between business and Government to produce results.

As a long-time congressional aide, I served as a senior advisor to Congressman Paul E. Kanjorski of Pennsylvania and staff director of the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises. In these roles, I worked on every major financial services law from the enactment of the Gramm-Leach-Bliley Financial Services Modernization Act in 1999 through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

Most notable, however, is my long track record of working on credit union issues, which began when Congress considered and passed the Credit Union Membership Access Act. Introduced by Congressman Kanjorski and Congressman Steve LaTourette of Ohio, the bipartisan law responded to a U.S. Supreme Court ruling that threatened the long-term viability of thousands of credit unions.

Subsequently, I led staff in drafting the first version of the Credit Union Regulatory Improvements Act of 2003, bipartisan legislation introduced by Congressman Kanjorski and Congressman Ed Royce of California. Their bill aimed to strengthen capital standards, advance economic opportunity, and provide targeted regulatory relief, three goals that continue to guide me.

During the financial crisis, I worked to convene the first congressional hearing to explore the creation of a Temporary Corporate Credit Union Stabilization Fund. And in 2010, I spearheaded staff efforts in the House to secure enactment of a law to lower the costs of managing both the Corporate Stabilization Fund and the National Credit Union Share Insurance Fund.

Most recently, I spent 6 years as NCUA's senior executive for public and congressional affairs, as well as the chief policy advisor to former Chairmen Debbie Matz and Rick Metsger. Ultimately, the time I spent at NCUA strengthened my knowledge of the credit union system and honed my management skills. In 2015, the agency recognized my leadership abilities by selecting me as a supervisor of the year.

My professional experiences have also informed my regulatory philosophy. In my view, financial regulators need to be fair and forward looking; innovative, inclusive, and independent; risk focused and ready to act expeditiously when necessary; and appropriately engaged with all stakeholders to develop effective, but not excessive, regulation.

Additionally, an NCUA Board Member should be well informed, ask

tough questions, and make impartial judgments that balance competing viewpoints in a transparent manner. If confirmed, I am confident I would do just that.

My priorities, first and foremost, would be to safeguard the safety and soundness of federally insured credit unions, preserve the integrity of the credit union industry in a continually evolving and increasingly complex marketplace, and protect taxpayers and credit union members from losses to the Share Insurance Fund. Accordingly, if confirmed, I would focus on the issues of capital, liquidity, and cybersecurity. I would also prioritize the agency's consumer protection responsibilities, consistent with the law.

By law, the credit union system has a mission to promote thrift and serve people of modest means. As such, if confirmed, I would work diligently with my NCUA Board colleagues to foster an environment that supports small credit unions, minority depository institutions, and low-income credit unions, which face the challenges of increased competition, limited resources, and difficulties in achieving economies of scale.

Additionally, I am committed to increasing access to financial services for both the unbanked and the underbanked. This, too, would be a priority for my work.

In closing, it would be a tremendous honor, if confirmed, to serve as an NCUA Board Member. I believe that my expertise on financial services policy and credit union issues, prior experience as a senior congressional and regulatory staffer, proven ability to fairly consider and balance competing viewpoints, and demonstrated strategic leadership and communications skills combine to make me well qualified to serve in this position.

Thank you again for the chance to appear before you today and for considering me for this role.

[GRAPHICS NOT AVAILABLE IN TIFF FORMAT]

PREPARED STATEMENT OF RODNEY HOOD

To be a Member of The National Credit Union Administration Board
February 14, 2019

Chairman Crapo, Ranking Member Brown, and Distinguished Members of the Committee, Thank You for the opportunity to meet with you this morning as a nominee to serve on the Board of the National Credit Union Administration.

It is indeed an honor and a privilege to be nominated to the NCUA Board, and if confirmed, I will do my level best to fulfill the trust placed in me by the President and the U.S. Senate. I am especially grateful for the unwavering support I have received from the Senators of my home State, Senator Richard Burr and Senator Thom Tillis. I am humbled by the gracious words expressed in their letter on my behalf for the public record and applaud their remarkable leadership and service to the State of North Carolina.

I also want to thank NCUA Board Chairman J. Mark McWatters for his encouragement, my fellow nominee, Todd Harper, for his patience and tenacity, and the professional staff at the NCUA who provided me thorough briefings and insights on the myriad issues facing the agency and federally insured credit unions.

While my parents are not here in person, I feel the warmth of their presence as they watch from heaven. I am thankful to them for bequeathing to me a strong value system--a value system that encompasses humility, integrity, hard work, and compassion. I believe these values have helped me make a difference in the lives of many people during my 25 years in the private sector and in public service.

Through my education and work experiences, I have developed and nurtured a broad knowledge of the financial services industry and have a keen understanding of the tremendous responsibilities of regulators.

The NCUA plays an important role as both regulator and insurer to protect the savings of more than 105 million Americans in an industry with more than \$1.4 trillion in assets.

I also recognize credit unions play a critical role in helping families achieve the American dream of home ownership; assisting entrepreneurs in creating small businesses; and providing the trusted affordable and essential financial services so families can save for the future. If confirmed by the Senate, I will work diligently to ensure the continued safety and soundness of our Nation's credit union system as it competes in a dynamic and ever-changing marketplace.

I look forward to returning to NCUA and fulfilling the duties and responsibilities of a Board Member. My paramount responsibility will be ensuring the safe and sound operation of federally insured credit unions. Additional responsibilities will include ensuring that NCUA thoroughly applies all relevant consumer protections, creates opportunities to promote financial education and financial inclusion, and fosters an environment where low-to-moderate income and disabled individuals have access to affordable financial services.

I am committed to listening carefully, working hard, and doing my level best to ensure the safety and soundness of the Nation's credit union system--both the financial institutions and the National Credit Union Share Insurance Fund.

During the 4 years of my term at NCUA over a decade ago, I worked diligently to fairly and thoughtfully implement the Federal Credit Union Act and ensure the safety and soundness of the Nation's then 8,000 credit unions, which at the time more than 80 million member-owners and had assets over \$600 billion. My regulatory philosophy was, and still remains, that regulation needs to be effective, but not excessive.

One of my lasting accomplishments from my previous term at NCUA was the launch of Enterprise Risk Management Summits that provided training sessions to credit unions on how to mitigate and manage risks. Working in collaboration with regulators from the Federal Reserve, OCC, FDIC, Federal Home Loan Banks, and National Economic Council, I hosted sessions with subject matter experts and credit union leaders that addressed risk areas such as liquidity, interest rate, and concentration. It was through my efforts that today Enterprise Risk Management is embedded in the Agency's supervisory and examination process.

My interest in serving vulnerable communities grew from my volunteer work as a missionary in Africa and later as a banker engaged in community development. I still fondly remember the joy and excitement I saw when a young woman who attended one of my bank's homebuyer education classes, learned that home ownership was not just a dream for her and her family. She was able to attend a series of homebuyer classes, build a credit profile and obtain downpayment assistance to purchase her first home. She showed her appreciation by inviting me to tour her new home and share a meal with her family.

I have heard it said, ``The true measure of compassion is more than good intentions, it is good results.''' I have been blessed and fortunate to spend over 25-years working with some of the country's most respected financial institutions that sought to empower economic stability and shared prosperity in our local communities. While at North Carolina Mutual and Wells Fargo, I held management positions that allowed me to promote community development and outreach initiatives to underserved communities. I served on the board of the Wells Fargo Housing Foundation, and managed public-private partnerships with results-oriented organizations such as the Neighborhood Reinvestment Corporation and Habitat for Humanity.

Having served as a Community Reinvestment Act Officer at Bank of America and National Director of Affordable Housing at Wells Fargo, I

have been both an advocate for and provider of affordable housing and small business lending. In those positions, I oversaw loan programs, managed teams of regional community development managers, and worked with our credit policy group to evaluate and manage risks. I have also provided financial education to underserved communities by conducting seminars on how to buy a home and obtain the financing necessary to start a small business.

My current work in the Corporate Responsibility Group at JPMorgan Chase provides me with opportunities to manage national partnerships with nonprofit organizations such as the NAACP, National Urban League, NeighborWorks America, National Disability Institute and RespectAbility in promoting financial inclusion and shared prosperity in underserved communities. I also work with regulators from the OCC, FDIC, Federal Reserve, and CFPB in hosting Financial Inclusion Summits for the disabled community. These experiences directly exposed me to the importance of regulatory review, financial soundness, and risk management.

My public sector experience includes serving as the Associate Administrator of the Rural Housing Service at the U.S. Department of Agriculture, where I helped administer a \$43 billion loan portfolio of over 400,000 homeowners. I also served on the Board of NeighborWorks America with leaders from the Federal banking regulators and the Federal Housing Commissioner. Additional public sector experience includes my term as a member of the University of North Carolina System Board of Governors--the policy and oversight body for North Carolina's public college system--serving 17 universities, more than 220,000 students and the UNC Hospital System. In that role, I served as the Vice Chairman of the Board's Audit, Risk Management, and Compliance Committee.

My experiences in the private and public sectors have provided me with leadership opportunities and have taught me valuable lessons about responsibility, accountability, and transparency. This includes the importance of building solid teams, paying attention to the basics, and putting a face on the decisions you make. These experiences have provided me with a sound foundation and robust skill set for evaluating the policy issues facing the NCUA Board.

If confirmed by the Senate, I will return to the NCUA with a risk-based and market-oriented mindset based on the following tenets:

First, I will work to ensure that credit unions remain safe and sound institutions.

Second, I will strive to be recognized as a fair and thoughtful regulator--one who realizes the value and necessity of regulation while also being cognizant of the impact of excessive regulation.

Third, I will bring focused leadership and management to the NCUA while seeking to ensure efficient operations and prudent use of resources.

Fourth and finally understand the importance of disclosure and transparency and will work closely with the Members of this Committee, and all members of Congress, to ensure the financial integrity of credit unions in an ever-changing and dynamic environment.

Mr. Chairman and Members of the Committee, I am honored to appear before you this morning and would like to thank you again for your courtesy and consideration. I welcome any questions you may have.

[GRAPHICS NOT AVAILABLE IN TIFF FORMAT]

PREPARED STATEMENT OF MARK ANTHONY CALABRIA
To be Director of The Federal Housing Finance Agency
February 14, 2019

Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, I thank you for the opportunity to appear before the Committee today as the nominee for Director of the Federal Housing Finance Agency (FHFA).

I also want to thank the President for the trust and confidence placed in me for this nomination. Additionally I want to express my deep appreciation to Vice President Pence. Serving as Chief Economist for the Vice President has been one of the greatest honors of my life.

It perhaps rivals the other great privilege of my career, which has been to serve on the staff of this Committee. I take tremendous pride in having served on the Committee staff under Senator Shelby. While GSE reform was eventually passed in 2008, the structure of that reform largely mirrors the Shelby bills of 2004 and 2005. If anyone is the legislative father of FHFA, it is Senator Shelby.

I believe being part of the process that resulted in the Housing and Economic Recovery Act of 2008 (HERA) has also given me unique and valuable insights into the mission and history of FHFA. I well remember the short comings of its predecessors, OFHEO and the FHFB.

I was also extremely fortunate to serve on the Committee staff during the leadership of Senator Paul Sarbanes. While I did not always agree with his policy positions, I have strived to live up to the standards of professionalism and conduct he set for this Committee. Particularly Senator Sarbanes' belief that it is indeed possible to disagree without being disagreeable.

I take great pride in the fact that I continue to count a number of former Sarbanes staff as friends.

Speaking of friends, it is also a true pleasure to be sitting at the table today with three gentlemen I have the privilege of calling friends.

I also want to recognize my partner, Allison Randall, who is here with me today. Allison's life-long work to end domestic violence has been a daily inspiration to me.

I have to thank the Committee here as well, as Allison and I met working on the 2005 reauthorization of the Violence Against Women Act, whose Title VI: Housing Opportunities and Safety for Battered Women and Children, was the product of this Committee.

Lastly, I want to recognize my mother, Janie Jones, who is here with me today. I know my sitting at this table is only possible due to the many sacrifices made by my mother. I doubt I could have done half the job she did, for many years as a single mother raising four children.

It was also my mother's 20-plus years working for the County of Fairfax Virginia that instilled in me a deep respect for public service.

As she spent her service there in the Comptroller's office, she also instilled in me the unavoidable reality that whatever the goals of Government, the numbers have to add up.

While the primary focus of FHFA is on our Nation's mortgage markets, the last piece of legislation I was privileged to work on for this Committee was the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009. It was a particular honor working with Senator Reed and his staff to strengthen our Nation's homelessness assistance programs to better service homeless families, especially those living in rural America.

Homelessness and rural housing are only a few of the areas I have worked on. During my service on the Committee staff I worked on over 20 pieces of legislation that became law, mostly in the areas of housing

and mortgage finance.

In addition to my Committee experience, I briefly oversaw HUD's regulation of the mortgage market, primarily under RESPA.

I have also spent a number of years performing economic research on the housing and mortgage market for two of the largest housing industry trade associations.

I have spent the last 20-some years researching and writing about our Nation's housing and mortgage markets. I believe I have successfully mastered not just the economics of our housing and mortgage markets, but also the legal and policy details. I believe that particular combination of skills and strengths makes me uniquely qualified to serve as the director of FHFA.

As the Members of the Committee are perhaps aware, I have an extensive record of writings in the area of mortgage finance. I have on a few occasions expressed strong opinions on the history and future of our mortgage finance system. I have most definitely expressed, and express here today, a frustration with the current state of our mortgage system and the need for reform.

Despite that frustration, I want to very clearly state to this Committee, that if confirmed, my role as Director of FHFA is to carry out the clear intent of Congress, not to impose my own vision.

I have even brought with me today my nearly decade old, dog-eared personal copy of HERA. Whatever the policy issue, my first question will always be ``what does the statute say?''

Let me close by emphasizing that I believe we are truly at a critical juncture in housing finance policy. Families across America face heavy burdens making their rent or mortgage payments in many cities, towns and States, as well as the unique barriers faced in our rural and tribal communities.

I also strongly believe that shelter is one of the most critical of basic needs facing any family. Whether it is rented or owned, American families need an affordable place to call home.

I thank you for your consideration today and look forward to your questions.

[GRAPHICS NOT AVAILABLE IN TIFF FORMAT]

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM BIMAL PATEL

Q.1. Capital Magnet Fund--The Community Development Financial Institutions (CDFI) Fund is tasked with disbursing Capital Magnet Fund (CMF) contributions from Fannie Mae and Freddie Mac (the Enterprises). If confirmed, the CDFI Fund and its CMF disbursements will be under your administrative purview.

In 2018, the Administration proposed to rescind the Enterprises' Capital Magnet Fund contributions, rather than disburse them. The Administration made this proposal despite the fact that families across the country are suffering from an affordable rental housing shortage. I am pleased that Congress rejected this proposal.

I am also pleased that two Ohio organizations, National Church Residences and the Ohio Capital Finance Corporation, were recently awarded a combined \$13.5 million of CMF funding to help create and preserve affordable housing in Ohio and in other States. As required, these organizations will leverage at least \$10 for every \$1 awarded by CMF.

Given that 1 in 4 renter households are spending more than half of their incomes on housing costs, do you agree with the Administration's proposal to block the distribution of Capital Magnet Funds?

A.1. The CDFI Fund is statutorily required to administer the Capital Magnet Fund Program allocation when received. If confirmed, I will continue to administer the program consistent with these requirements.

Q.2. How do you intend to advise the Administration on any future budget proposals to rescind CMF funding?

A.2. If confirmed, I will provide the Administration with information on programmatic and awardee activity as requested.

Q.3. In any year in which the Enterprises transfer funds to CMF, will you commit:

To promptly issue a CMF Notice of Funding Availability (NOFA) without regard to any Administration proposal to rescind such funding?

A.3. Upon receipt of funding, the CDFI Fund administers the program, including release of the NOFA, in accordance with statutory and regulatory program guidelines. If confirmed, I will continue to administer the program consistent with these requirements.

Q.4. To promptly award funds in response to that NOFA without regard to any Administration proposal to rescind such funding?

A.4. As required by law, the CDFI Fund administers the Capital Magnet Fund program rounds once funding is received. If confirmed, I will continue to administer the program consistent with these requirements.

Q.5. Community Development Financial Institutions (CDFI) Fund-- The CDFI Fund promotes community and economic development by providing financial and technical assistance to CDFIs so that they can expand access to financial services and affordable credit to underserved people and communities, including those in distressed urban, rural, suburban, Tribal, and Alaska and Hawaiian Native areas. For FY2019, the Administration proposed to eliminate new funding for CDFI discretionary programs including the Bank Enterprise Award Program, CDFI program, the Native American CDFI Assistance Program, and the Healthy Food Financing Initiative. I am pleased that Congress rejected this proposal.

Do you agree with the Administration's proposal to eliminate new funding for CDFI discretionary programs?

A.5. If confirmed, I will continue to administer the program at funding levels appropriated by the Congress.

Q.6. How do you intend to advise the Administration on any future budget proposals to eliminate CDFI discretionary funding?

A.6. If confirmed, I will provide the Administration with information on programmatic and awardee activity as requested.

Q.7. Capital/TBTF/FSOC/Shadow Banking--Your former boss at the FDIC, Jeremiah Norton, worked with former FDIC Chair Gruenberg and Vice Chair Hoenig to strengthen leverage capital requirements. But you know that the financial crisis wasn't caused by only the risky behavior at the banks, there were

significant risks in the nonbanks and shadow banks as well. That said, at FSOC, you supported the Secretary's efforts to de-designate AIG and Prudential. Because of these efforts, there is now not a single nonbank ``Systemically Important Financial Institution'' or ``SIFI'' that has Federal oversight, and we see significant risks growing in the shadow banks.

If confirmed as Assistant Secretary for Financial Institutions, you will have financial regulation in your portfolio. In light of experience at the FDIC, do you agree with efforts at the Federal Reserve to weaken leverage capital requirements?

A.7. I support simple, transparent, and strong capital requirements for banks. It is important that the banking system be appropriately capitalized to protect taxpayers and to facilitate economic growth. The regulatory capital framework in the U.S. possesses several components, which should each be meaningful: risk-based, leverage, and supervisory stress-test based capital requirements. Achieving the right calibrations for each regime is the responsibility of our independent banking regulators, who are currently undertaking open rulemakings. As such, it would be inappropriate for me to comment on an open rulemaking.

Q.8. In your response to Senator Kennedy's question, you said that you believe ``Too-Big-To-Fail'' banks still exist. Notwithstanding increases in capital since the crisis, how would you propose to address this issue, including risks from interconnectivity, if you are confirmed?

A.8. Current law requires that bankruptcy be the presumptive path for resolving large and complex financial institutions. In order to protect taxpayers, we must continue to enhance the resolvability of banks. To that end, in its February 2018 report on Orderly Liquidation Authority and Bankruptcy Reform, Treasury recommended a series of proposed reforms aimed at improving the resolvability of financial institutions under bankruptcy. The Treasury report states that improving the Bankruptcy Code, ``would build on the resolution planning process under Title I of the Dodd-Frank Act and other postcrisis developments that have made U.S. financial companies more readily resolvable in bankruptcy—including major increases in usable capital and liquidity buffers, elimination of significant short-term debt at the bank holding company level, and efforts to simplify and rationalize corporate entity structure.'' Treasury also recommended certain measures be taken to enhance taxpayer protections under OLA.

With respect to risks related to interconnectivity, on August 6, 2018, the Board of Governors of the Federal Reserve System published a final rule requiring single counterparty credit limits under Section 165(e) of the Dodd-Frank Act, and the Federal Reserve should continue to monitor the implementation of this rule.

Q.9. Section 165(d) of the Dodd-Frank Act, commonly referred to as the ``living wills'' requirement, was designed to simplify large, complex financial institutions so they would no longer be a threat to financial stability. Large, complex financial institutions are required to prove they can undergo an orderly bankruptcy under current law. Do you think all financial institutions are currently meeting these requirements? Do you

think these large, complex financial institutions should be simplified so they can undergo an orderly bankruptcy, as current law requires? Would changes to the bankruptcy code made specifically for large, complex firms weaken this requirement and preserve the existence of the kinds of financial institutions whose mismanagement precipitated a worldwide financial crisis?

A.9. I have not had the opportunity to review resolution plans in my current capacity and thus do not have a view on whether banking organizations are satisfying the resolvability requirements under Section 165(d). I strongly support ensuring that large, complex financial institutions satisfy applicable legal requirements under Section 165(d). In order to protect taxpayers, we must continue to enhance the resolvability of banks.

Q.10. What was your role in FSOC's de-designation of AIG and Prudential?

A.10. The reevaluation of nonbank financial companies is required not less than annually pursuant to Section 113 of the Dodd-Frank Act. With respect to the Council's determination to rescind the designation of AIG, I coordinated the staff-level analysis that Council members considered in their determination. With respect to the reevaluation of Prudential, I am recused and did not materially participate in the matter. The Council's reevaluation process of nonbank financial companies under Section 113 of the Dodd-Frank Act is a months-long process that is extensive and thorough. The Council's analysis has previously considered financial stability risks through several transmission channels, including exposures, asset liquidation, and critical function or services. The Council has also considered complexity and resolvability and existing regulatory scrutiny in its analysis.

Q.11. Do you believe there are no nonbank ``SIFIs'' in the U.S.?

A.11. There are currently no nonbank financial companies that the Council has determined under Dodd-Frank Section 113 should be subject to Federal Reserve supervision and enhanced prudential standards. The Council noted in its 2018 Annual Report, that ``[s]ince [December 2017], the Council has not advanced any nonbank financial companies to Stage 3 or made a proposed or final determination [of systemic importance] regarding any nonbank financial company.''

Q.12. If confirmed as Assistant Secretary for Financial Institutions, what will you propose to address growing risks in the shadow banking sector?

A.12. It is important that banking regulators possess the data and information necessary to address risks that might arise from nonbank counterparty relationships. If confirmed, I will work with banking regulators to monitor and address these risks as appropriate.

Q.13. Insurance—One of your roles as Assistant Secretary for Financial Institutions will be to oversee the Federal Insurance Office (FIO), which has the authority to monitor the insurance

industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry of the United States financial system.

What specific steps will you take to identify issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry of the United States financial system?

A.13. One of the Federal Insurance Office's (FIO) statutory authorities is to monitor the insurance industry for issues that could contribute to a systemic crisis in the U.S. insurance industry. Among other things, FIO also serves as a source of insurance policy expertise in the Federal Government and coordinates Federal efforts and develops policy on prudential aspects of international insurance. FIO monitors the insurance industry through its active participation in both its domestic work and its international engagement at the International Association of Insurance Supervisors. FIO also issues a host of reports assessing many of these risks, including: annual reports to the Congress, reports on the Terrorism Risk Insurance Program, a report on efforts to increase transparency at international standard-setting bodies, and others, which highlights its important work in these areas. If confirmed, I will work closely with FIO to continue these efforts, and to continue reporting on these important issues to the Congress.

Q.14. If confirmed, you would oversee the FIO, which serves as a nonvoting FSOC member and has authority to recommend to FSOC that it designate an insurer as an entity subject to regulation by the Board of Governors. Under what circumstances would you recommend that the FSOC designate or redesignate an insurer as a SIFI?

A.14. Under Section 113 of the Dodd-Frank Act, if the Council determines that the material financial distress at a U.S. nonbank financial company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of a U.S. nonbank financial company, could pose a threat to the financial stability of the United States, they may subject that firm to Federal Reserve supervision and enhanced prudential standards. Treasury recommended in its November 17, 2017, report on FSOC designations that the Council should prioritize identifying particular financial activities or products that could pose risks to U.S. financial stability and also recommended enhancements to the designation process under Section 113 to include cost-benefit analysis, consideration of likelihood of material financial distress and pre- and post-designation off ramps. Council members are considering the recommendations made in the report, which, if adopted, would have implications for the designation process and analysis. If confirmed, I will work closely with the Federal Insurance Office (FIO) to monitor the risks facing the U.S. insurance industry.

Q.15. In your view, what are the current risks facing large insurance companies and how are they different from those that existed during the financial crisis? How do you propose to address these risks if confirmed as Assistant Secretary for Financial institutions?

A.15. Since the financial crisis, the set of possible risks facing the U.S. financial system, including U.S. insurers, continues to evolve. As noted in FSOC's 2018 annual report, as the financial system, including insurers, increase its reliance on information technology, there is an increasing risk that a cybersecurity event will have severe negative consequences, potentially entailing systemic implications for the U.S. insurance sector. If confirmed, I will have FIO and the Office of Critical Infrastructure Protection and Compliance Policy continue to work together on these important cybersecurity issues. Additionally, it is important that FIO continue to monitor how changes in technology create both potential opportunities and risks for the U.S. insurance sector, and if confirmed, I will work to ensure it does so.

Q.16. Treasury Reports--You played a role in several of the reports released by the Treasury Department in 2018 pursuant to President Trump's Executive Order 13772 on Financial Regulation.

Which reports did you work on and what was your role in the writing of each of those reports?

A.16. I oversaw the staff drafting of the report on Financial Stability Oversight Council Designations. I also participated, to various degrees, in the development of the Treasury's reports on Banks and Credit Unions, Asset Management and Insurance, and Nonbank Financials, FinTech, and Innovation and the Orderly Liquidation Authority and Bankruptcy Reform.

Q.17. Many of the recommendations in the Treasury's reports look like the wish lists of the financial industry. Treasury disclosed the meetings it took in preparation for the reports and it met overwhelmingly with industry compared to civil rights and consumer advocacy groups. Were you a participant in these meetings? Why did you meet with more industry representatives than groups that advocate for consumers, workers, and families?

A.17. I believe that public policy is substantially improved when considering a diverse set of viewpoints, and if confirmed, I will continue to seek a diverse set of perspectives in my work. During the development of the reports, Treasury consulted extensively with a wide range of stakeholders, including trade associations, financial services firms, consumer advocacy groups and community interest organizations, academics, and other experts. Treasury also reviewed a wide range of data, research, and published material from both public and private sector sources.

Q.18. If confirmed, what will be your role in carrying out all/any of the unimplemented recommendations in these reports? What recommendations will you prioritize?

A.18. The vast majority of recommendations made in the Treasury reports require action by the financial regulatory agencies or the Congress. If confirmed I look forward to engaging with both the Congress and the financial regulatory agencies should they choose to implement any of the policy recommendations.

Q.19. Treasury's Nonbanks, FinTech, and Innovation report

advocated that the CFPB rescind its payday lending rule. Do you support CFPB Director Kraninger's efforts to repeal the ability to repay and repeat loan limit provisions of the payday lending rule?

A.19. I recognize the importance of small-dollar credit to American families, particularly middle-class and lower-income families. I also support appropriate consumer protections that allow consumers to make informed decisions and preserve availability of consumer financial products. The Bureau is currently undertaking an open rulemaking on this issue. As such, it would be inappropriate for me to comment on an open rulemaking.

Q.20. What recommendations do you believe would most benefit American families?

A.20. The Treasury reports made a number of recommendations, many of which would benefit U.S. consumers, businesses, and the overall economy. Two examples include encouraging simplification of the de novo bank application process to allow banks to serve a greater number of consumers and communities, and minimizing burden on rural and agricultural lenders, as appropriate, to help families in rural and agricultural communities.

Q.21. FinTech--You have written and testified on expanding financial technology and worked on the Treasury report on Nonbanks, FinTech, and Innovation. I am skeptical of making it easier for nonbank financial institutions to avoid State and Federal consumer protection laws. Many innovative financial products are already offered under the existing regulatory framework without violating the law.

Q.21. What is your position on nonbanks accessing consumer data and providing financial products without the same safety and soundness regulations and consumer protections that community banks are required to comply with?

A.22. The current practice of data sharing between banks and nonbank firms can deliver real benefits to consumers looking to lower the cost of borrowing, better manage their expenses, and save for the future. At the same time, I think that the current methods for sharing data need to be improved to allow for more responsible and secure sharing of consumer financial data, and to address key issues around security and liability. If confirmed, I would be happy to work with the Congress as it considers what potential revisions to the legislative and regulatory frameworks around consumer financial data or data aggregation might be needed.

Q.22. Prior to the 2008 financial crisis, the financial services and banking industry claimed that dangerous subprime mortgages were ``innovative'' and would ``increase access to credit'' for millions of families that they ended up grievously harming. How are the ``innovations'' you hope to encourage by weakening laws and regulations different from the ``innovations'' promised by subprime mortgage lenders?

A.23. Innovation must be undertaken in a responsible manner, one that protects consumer data privacy and enables consumers

to make informed choices regarding the use of financial services. Fraudulent products designed to interfere with consumers' ability to make such informed choices should be restricted in favor of products that offer clear disclosures.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN
FROM BIMAL PATEL

Q.1. In the Midwest, where there is substantial need for investment but generally fewer CDFIs to help raise, leverage, and deploy capital. Although making grants to start new CDFIs is part of the solution over the long-term, this process takes time to accelerate and do responsibly. Actively fostering partnerships is key to the success of the CDFI fund--between existing CDFIs and community banks to jointly lend to community projects; between CDFIs and local networks of nonprofits for grants and loans for small businesses in rural communities; and between larger national CDFIs and local CDFIs to jointly lend larger, long-term loans. It seems there is more Treasury and the CDFI Fund can do to further incentivize and promote this type of collaboration that is essential to the Midwest.

In your role leading the Office of Financial Institutions and in turn, the Office of Financial Institutions Policy, how can Treasury and the CDFI Fund be more committed and creative to meeting this need for collaborative efforts?

A.1. The CDFI Fund currently promotes partnerships with banks and other financing partners through a variety of measures. For example, through an innovation prize competition, the CDFI Fund supported the development of an online platform to match small businesses declined for loans by banks or online lenders with a CDFI that may be able to meet their needs. If confirmed, I look forward to working with you to promote investment in rural communities.

Q.2. Can you share your thoughts about what more the CDFI Fund can do to promote such investment in rural communities?

A.2. The CDFI Fund currently has a strong commitment to serving rural communities. If confirmed, I intend to keep that commitment, and look forward to working with you to promote investment in rural communities and increase access to capital in underserved rural areas. Although only 15 percent of the U.S. population is located in nonmetropolitan areas, about 21 percent of New Markets Tax Credit investments and 18 percent of CDFI awardee investments are located in such areas (using the OMB/U.S. Census Bureau definition for nonmetropolitan counties). Similarly, of the 38 Capital Magnet Fund awardees, 24 percent will invest at least half of their award dollars in rural areas.

RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM BIMAL PATEL

Q.1. Providing banking services for firms that provide cannabis remains a problem. Not just for the cannabis firms but for their vendors.

What would you do meet the banking needs of cannabis firms?

A.1. Treasury has stated that financial institutions are expected to follow the law and reasonably manage their anti-money-laundering risks. Treasury has noted the importance of working towards a solution on this issue and has noted associated risks in areas such as tax collection and illicit finance. I understand clarity surrounding this issue is important to constituents in Nevada, and, if confirmed, I will work with you to better understand your perspectives on this issue.

Q.2. When I was Attorney General, there was not adequate research on risks in the financial market that would soon devastate Nevada. I am concerned that the enormous reduction of staffing at the Office of Financial Research will result in weaker analysis.

How will you make sure that the OFR's research is thorough and easily comprehensible and accessible to policymakers all across the country, academics, researchers and business leaders?

A.2. Analytical rigor in policymaking is extremely important to me. If confirmed, I will continue to work with OFR to support high standards of quality in policymaking and research. The OFR's annual reports, working papers, briefs, monitors, and other products are widely available on the OFR's website for public use.

Q.3. In your current position, you are part of Treasury's efforts regarding cryptocurrencies. I am deeply concerned by cryptocurrencies' potential to be used to commit crimes, such as human and drug trafficking.

In your conversations with Treasury's working group, have you discussed cryptocurrencies' potential to be used to commit crimes?

A.3. Treasury has discussed these concerns with the members of the FSOC Digital Assets and Distributed Ledger Technology (DLT) Working Group. Additionally, Treasury's Office of Terrorism and Financial Intelligence has been working closely with financial regulators and partners in law enforcement to proactively address these concerns and prosecute crimes.

Q.4. The Assistant Secretary of Treasury for Financial Institutions is also responsible for overseeing legislation that affects agencies which regulate or insure financial institutions, such as the Federal Home Loan Bank System. Recently, the Federal Home Loan Banks issued a proposal to modify their affordable housing goals.

Do you support the affordable housing and community development mission of the Federal Home Loan Banks?

A.4. I am in favor of a housing finance policy that promotes consumer access to mortgage credit, while protecting the interests of taxpayers. The FHLBanks are overseen by an independent regulator, FHFA, and I would defer questions on FHLBank affordable housing and community development activities to FHFA.

Q.5. Do you support the Affordable Housing goals as recently

proposed?

A.5. I am in favor of a housing finance policy that promotes consumer access to mortgage credit, while protecting the interests of taxpayers. The FHLBanks are overseen by an independent regulator, FHFA, and I would defer questions on FHLBank affordable housing and community development activities to FHFA.

Q.6. How will you urge the Federal Home Loan Banks to expand on their community development mission?

A.6. I am in favor of a housing finance policy that promotes consumer access to mortgage credit, while protecting the interests of taxpayers. The FHLBanks are overseen by an independent regulator, FHFA, and I would defer questions on FHLBank affordable housing and community development activities to FHFA.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA
FROM BIMAL PATEL

Q.1. In Arizona, voters approved cannabis for medical use in 2010. Following the rescission of the Cole Memorandum in January 2018, financial institutions reacted with concern and uncertainty in how to provide banking services to legal cannabis and cannabis-related businesses. If confirmed, how will you work to ensure that State laws like Arizona's are respected and that these legal Arizona businesses can access essential banking services?

A.1. Treasury has stated that financial institutions are expected to follow the law and reasonably manage their anti-money-laundering risks. Treasury has noted the importance of working towards a solution on this issue and has noted associated risks in areas such as tax collection and illicit finance. I understand clarity surrounding this issue is important to constituents in Arizona, and, if confirmed, I will work with you to better understand your perspectives on this issue.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN
FROM TODD M. HARPER

Q.1. Credit Union Fees--Last fall, the New York Times reported on high fees and interest rates charged to members of the Marriott Employees' Federal Credit Union--a credit union that was formed so that employees would have access to low-cost financial services. Marriott Employees' Federal Credit Union has a low-income designation meaning 50 percent of its members have family incomes of less than 80 percent of the median income in the areas it serves.

As the article indicated, many of these workers are struggling to make ends meet, and these fees make their economic situations worse. In the same article, it was reported that some of the executives and management of Marriott who also use the credit union are receiving million-dollar mortgages and

car loans at below-market interest rates.

If confirmed, will you commit to review credit unions' fees like overdraft and minimum balance charges as described in the article? Will you commit to crack down on fees if they are inconsistent with the credit union system's mission of providing affordable financial services to working families?

A.1. Yes. If confirmed, I will commit to reviewing such fees and taking appropriate action, consistent with Federal consumer protection laws and the NCUA's regulations. I will also explore how the NCUA presently monitors the performance of credit unions receiving the low-income designation to determine whether new or modified procedures should be adopted to ensure that these credit unions fulfill their statutory mission of promoting thrift, especially for people of modest means. In my view, our Nation's system of cooperative credit ought to serve everyone.

Q.2. Financial Crisis--You advised former NCUA Chair Debbie Matz during and after the 2008 financial crisis. What lessons did you learn about credit union regulation from that time? What issues will you approach differently now because of that experience?

A.2. Several lessons stand out. First, consistent with their risk profiles, federally insured credit unions need to build up and maintain enough reserves of high-quality capital during good times to survive economic downturns. Second, the agency must maintain appropriate levels of experienced staff and funding in good economic cycles to be prepared to conduct effective, timely, and thorough examinations during challenging economic periods. Third, supervisory activities should be focused on those institutions and activities that pose the greatest risk to the National Credit Union Share Insurance Fund. To address such risks, the NCUA Board in the years immediately following the financial crisis adopted important rules on stress testing, emergency liquidity, and risk-based capital, among others, to address the problems identified during the crisis.

The financial crisis also shaped my thinking about regulatory readiness. It is imperative for financial regulators to always maintain an open mind about where risks might rise. While my safety-and-soundness focus would be on the issues of capital, liquidity, and cybersecurity, I recognize that in our Nation's complex financial system new, more pressing threats may quickly develop. Regulators, therefore, need to have the agility and ability to quickly respond to such threats in order to protect the safety and soundness of the financial institutions they charter, supervise, or insure, and to safeguard taxpayers from losses to the share and deposit insurance funds. Finally, the NCUA must work vigilantly to mitigate threats within the credit union system.

Q.3. Underbanked and Unbanked--In your testimony you indicated that one of your top priorities is to increase access for the unbanked and underbanked to credit union products and services. If confirmed, what will you propose to achieve this objective?

A.3. Just as there are food deserts where residents lack access to grocery stores, there are financial deserts where residents lack access to affordable products offered by mainstream

financial services providers. If confirmed, I would undertake several actions to expand access to mainstream financial services for the unbanked and underbanked. For example, I would publicly support legislative efforts in Congress to allow Federal credit unions of all charter types to add underserved areas to their fields of membership. This change to the law would likely have the greatest impact on expanding access to affordable financial services for the unbanked and underbanked.

Additionally, if confirmed, I would publicly support efforts to maintain or increase appropriations for the Community Development Revolving Loan Fund and the Community Development Financial Institutions Fund. Both programs support efforts to expand access to financial services in low-income communities.

If confirmed, I would also work to ensure that the NCUA's Office of Consumer Financial Protection has the resources it needs to conduct effective financial literacy outreach to the unbanked and underbanked. Similarly, I would work to ensure that the NCUA's Office of Credit Union Resources and Expansion has the staffing and funding needed to conduct outreach to credit unions through webinars, in-person conferences, one-on-one assistance, and the distribution of best practices about providing financial services to the unbanked and underbanked. Additionally, I would ask the office to explore whether there are ways to streamline and simplify the application process for chartering new credit unions aimed at serving the unbanked and underbanked.

Finally, and perhaps most importantly, I would set a tone at the top of the organization by speaking often and regularly about the need for credit unions to expand their services to the unbanked and underbanked. In this regard, I would explore whether to convene a series of collaborative workshops across the country to focus more on this issue, like the Partnering and Leadership Successes forums convened more than 15 years ago.

Q.4. Mergers, Acquisitions, and Consolidation—There has been a trend in consolidation in the financial industry, including among credit unions. NCUA approved 53 mergers in the fourth quarter of 2018 and credit union mergers and acquisitions have increased the size of the average credit union. What do you think is the impact of consolidation on credit union members? What can be done, if anything, to slow down or reverse this trend?

A.4. The consolidation trend among all types of depository institutions has remained relatively constant and consistent across all economic cycles for more than three decades. Two of the leading causes of consolidations in the credit union system include a lack of succession planning by small credit unions and the need to achieve economies of scale to provide the services that members want. While consolidations unquestionably limit consumer choice in selecting their financial providers, many consumers ultimately receive access to a greater array of services.

Nevertheless, I recognize the real need to support and assist smaller, federally insured credit unions, especially those with \$100 million or less in assets. These small credit unions make up more than 70 percent of the units in the system. If confirmed to the NCUA Board, I would work to ensure that the NCUA's Office of Credit Union Resources and Expansion has the

funding and staffing needed to reach out to these financial institutions to assist them in succession planning and identifying opportunities for growth, consistent with safety and soundness.

Finally, I would work to further tailor and target the NCUA's rules to reduce the regulatory and supervisory burdens for small credit unions, when possible. Such regulatory relief would help to level the playing field for smaller credit unions without substantially increasing risk to the Share Insurance Fund.

Q.5. If confirmed, when approving credit union mergers or acquisitions, how will you ensure that continued presence and investment in the local community are taken into consideration so that working families continue to have access to financial services?

A.5. If confirmed, I would work with staff and my Board colleagues to review the agency's existing policies and procedures for handling credit union mergers, acquisitions, and charter expansions. When the NCUA charters a new credit union, approves a field-of-membership expansion for an existing community-based credit union, or permits a credit union to convert to a community charter, the credit union must have in place a business and marketing plan, which the agency then monitors for compliance over a period of several years. A similar process could be used after mergers and acquisitions to ensure the continued access of working families to financial services.

Q.6. Pentagon Federal Credit Union Merger--Earlier this year, Pentagon Federal Credit Union (PenFed), a credit union with \$23 billion in assets and over 1.6 million members, acquired Progressive Credit Union, a New York State-chartered credit union with \$383 million in assets and an open charter. While PenFed has said it will not use the open charter, if it were to change its mind in the future, would you support that decision?

A.6. Presently, the Federal Credit Union Act does not allow for the chartering of a Federal credit union with an open field of membership. In this instance, however, through an emergency voluntary merger Pen Fed acquired a State-chartered credit union which had an open field of membership for many decades. If confirmed, I would have serious reservations if PenFed used the open charter to expand its membership. In my view, our Nation's system of cooperative credit should serve everyone. Therefore, I would want to understand how PenFed planned to promote thrift and ensure access to affordable financial services, especially for people of modest means.

Q.7. If so, should the NCUA change how it regulates a large credit union with no restrictions on its field of membership?

A.7. The use of an open field of membership by a large Federal credit union would cause me concerns, especially as to whether the institution is serving all communities, including financial deserts with many underserved and underbanked consumers. If confirmed to the NCUA Board, I would explore how the NCUA's Office of National Examinations and Supervision, which oversees and examines credit unions with \$10 billion or more in assets, presently assesses the performance of a large Federal credit

union in serving its field of membership and consider with my Board colleagues how such oversight should change. I would act to ensure that such oversight remains consistent with the requirements of the Federal Credit Union Act, consumer protection laws, and other legal requirements.

Q.8. Field of Membership--Over time, State regulators and the NCUA have expanded field-of-membership rules, to expand access to financial services for a greater number of consumers. Expanding access to the financial system is extremely important, but it is just as important to ensure those same credit unions are serving all members of these increasingly larger communities and fields of membership. What does the NCUA currently do to evaluate a credit union's performance in serving all of its members?

A.8. It is a priority for me to expand access to financial services for the underserved and underbanked. When the NCUA charters a new credit union, approves a field-of-membership expansion for an existing community-based credit union, or permits a credit union to convert to a community charter, the credit union must have in place a business and marketing plan, which the agency then monitors for compliance over a period of several years. If confirmed to the NCUA Board, I would evaluate the effectiveness of this practice, as well as any other of the agency's current policies for ensuring that Federal credit unions with an expanded field of membership are appropriately serving all their members.

Q.9. Are there any improvements for which you would advocate if confirmed?

A.9. As mentioned above, when the NCUA charters a new credit union, approves a field-of-membership expansion for an existing community-based credit union, or permits a credit union to convert to a community charter, the credit union must have in place a business and marketing plan, which the agency then monitors for compliance over a period of several years. A similar process could be used to evaluate the performance of credit unions serving larger fields of membership to determine whether they are appropriately serving all their members. Such a review would be consistent with the statutory mission of credit unions to promote thrift, especially for people of modest means.

Q.10. Payday Alternative Loans (PALs)--The CFPB Director recently proposed drastically weakening the agency's payday rule. Will you pledge not to follow in Director Kraninger's footsteps and work to maintain the restrictions, fee limits, and current interest rate caps on the NCUA's Payday Alternative Loan (PAL) product?

A.10. The NCUA's PAL product is designed to expand access to affordable financial services in a safe-and-sound manner. It provides an affordable alternative to predatory payday and title loans. In my view, it is very important to maintain the consumer protections built into the current NCUA regulation, including maintaining appropriate limits on fees, interest rates, and rollovers.

The NCUA Board has also proposed a rule that would expand the ability of credit unions to offer more PALs products to

their members. If confirmed to the NCUA Board, I would work with my Board colleagues to ensure appropriate consumer protections remain in place, like those related to limits on fees, interest rates, and rollovers. It is also important to ensure that members receiving a payday alternative loan can repay the loan so that they can build a positive credit history and gain access to more affordable loan products offered by federally insured credit unions and other mainstream financial services providers.

Q.11. NCUA Spending--At your confirmation hearing, Chairman Crapo asked about recent press reports about excessive spending by the current chair of the NCUA Board. While some of the spending is allowed under NCUA policies, some of it was not, as confirmed by the NCUA Inspector General Report. You committed to Chairman Crapo that you would review these policies if confirmed, which I support. You have worked at the NCUA before, are there certain items you believe should not be reimbursed for Board members or staff by a Federal agency?

A.11. The NCUA should work with its sister regulators to develop a common reimbursement policy for representation and travel expenses modeled on the rules in place at other Federal regulatory agencies. In my view, such a policy should not allow for the purchase of alcohol by an individual Board Member or staff, although it may be permissible to serve alcohol at widely attended conferences and meetings. If confirmed, I would work with my NCUA Board colleagues to ensure that the rules in this area are clear, consistent, and communicated. Finally, if confirmed to the NCUA Board, I would commit to not seeking reimbursement for alcohol purchases regardless of the policy.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM TODD M. HARPER

Q.1. Last Congress, I was the Senate sponsor of S. 3750, the Common Sense Credit Union Capital Relief Act of 2018. It would call for a delay in the implementation of the NCUA's risk-based capital rule. What are your thoughts on the risk-based capital rule? Should implementation of the rule be delayed? Should Congress reevaluate the need for the rule entirely?

A.1. In my view, it is important for all financial institutions backed by Federal deposit or share insurance to hold capital commensurate with the risks held on their balance sheets. In the case of federally insured credit unions, such capital will protect taxpayers by helping to prevent or mitigate losses to the National Credit Union Share Insurance Fund when a credit union fails.

To maintain the safety and soundness of federally insured credit unions, the Federal Credit Union Act currently requires the NCUA Board to issue regulations to create a system of prompt corrective action. This system must be consistent with the requirements of the Federal Credit Union Act and comparable to the rules of Federal banking regulators. It must also take into account the cooperative character of credit unions.

In 2013, the Federal banking agencies adopted new risk-based capital rules. To maintain comparability with these rules, the NCUA Board moved ahead with efforts to modify its

risk-based capital rule. Action on this regulation was also recommended by the Government Accountability Office and the NCUA's Inspector General.

The NCUA Board finalized its risk-based capital rule in late 2015. As initially approved, this rule applied to complex credit unions with \$100 million or more in assets and provided for an implementation period of more than 3 years. Last year, while your legislation was pending, the NCUA Board increased the threshold to \$500 million and extended the implementation period for an additional year. The new effective date for compliance is January 1, 2020.

As I understand it, nearly all federally insured credit unions covered by the current risk-based capital rule would be subject to the lower leverage capital requirement contained in the Federal Credit Union Act. In all, less than 20 federally insured credit unions would be subject to the higher risk-based capital requirement contained in the agency's revised rule. These 20 or so credit unions engage in riskier activities or hold higher concentrations of certain assets on their books.

If confirmed, I would keep your concerns in mind and take a fresh look at this issue. First, I would want to know the actual capital held at each of these 20 or so credit unions before making any decision about whether to further delay the rule. As I understand it, many of them have recently increased the capital held on their books in response to the NCUA Board's rulemaking. I would also want to know what Federal banking regulators have done with their risk-based capital rules given the comparability requirements of the Federal Credit Union Act.

Finally, during the last 2 years, the failure of several federally insured credit unions that concentrated in taxi-medallion lending have resulted in large losses for the Share Insurance Fund. If the NCUA's risk-based capital rule had been in effect earlier, some of these losses might have been mitigated. If confirmed, I would keep this recent history at the forefront of my mind when making any decision about whether to further delay implementation of the NCUA's risk-based capital regulation.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN
FROM TODD M. HARPER

Q.1. In addition to voluntarily following the spirit of the President's Executive Order to reduce regulatory burden, the current NCUA Board has focused much of its recent rulemaking activity on reducing unnecessary regulatory burden. Do you agree with voluntarily following the Executive Order, and will you do so if confirmed?

A.1. The NCUA has a long history of voluntarily complying with Executive Orders so long as the order does not compromise the mission of the agency, conflict with statutory law, or undermine the safety and soundness of credit unions. In my view, these efforts have generally improved the quality of rulemaking over time and addressed pressing regulatory concerns at the time. If confirmed, I would support the continuation of the agency's long-standing practice of voluntarily following Executive Orders, as appropriate.

Q.2. With regard to future NCUA rulemakings, what approach will

you take in terms of focusing on a reduction of unnecessary regulatory burden?

A.2. For several of its rules, the NCUA has tailored regulatory requirements based on the asset size of the credit union. Currently, more than 70 percent of federally insured credit unions have \$100 million or less in assets. In my view, it is especially important that the NCUA work to minimize the regulatory burdens of these financial institutions so that they can instead focus on serving the needs of their members and building net worth, as appropriate. If confirmed, I would examine how the NCUA could further tailor its rules to limit regulatory burdens based on the size, scale, and scope of a credit union and its activities, consistent with the statutory requirements established by Congress and the need to protect both consumers and the safety and soundness of the credit union system.

Q.3. Credit unions, as not-for-profit, member-owned institutions, are inherently different than for-profit banks. It is critical that a member of the NCUA Board appreciate this difference and support the credit union philosophy of people helping people. While it is inevitable that some credit unions will occasionally choose to switch from a credit union to a bank charter, what will you do to uphold the core philosophy of credit unions to ensure they remain a viable source of financial services for Americans?

A.3. In my many years working at the NCUA and for Congress, I have gained a great appreciation for the credit union philosophy and the uniqueness of the credit union charter. Therefore, if confirmed, I would set a tone at the top by regularly reminding credit unions of their statutory mission to promote thrift, especially for people of modest means. I would also closely monitor the composition of the lending portfolio of both the credit union system and individual credit unions to determine whether consumer financial needs are being met.

Generally, the credit union system remains very focused on serving members' financial needs. Of the \$1 trillion in loans presently held on the books of federally insured credit unions, residential mortgages account for nearly 45 percent of the total, auto loans for 35 percent, and credit card debt for approximately 5 percent. Additionally, while federally insured credit unions constitute just 7 percent of the assets of our Nation's financial institutions, they provide 11.5 percent of consumer loans. Together, these metrics provide a way for quickly assessing whether credit unions are remaining a viable source of financial services for Americans.

Q.4. The NCUA is unique from other Federal financial regulatory agencies in that it is an independent regulator and insurer of credit unions. Do you support the agency's continued independence?

A.4. Yes. In the aftermath of the savings-and-loan crisis, Congress worked to strengthen Federal financial institutions regulators by providing independence in setting budgets and collecting fees, submitting testimony to Congress, and allowing for rulemaking outside of the OMB-approval process used for other executive branch agencies, among other things. Such independence helps to ensure the effective supervision of the

credit union system and protects against inappropriate political interference.

Q.5. What can the NCUA do to ensure it is able to maintain its current status as an independent regulator and insurer?

A.5. First and foremost, the NCUA must continue to ensure the safety and soundness of the credit union system and protect the National Credit Union Share Insurance Fund from losses. The agency must also maintain an arm's-length distance from the entities it charters, regulates, or insures. Appropriate engagement with all stakeholders is important to develop effective, but not excessive, regulation and supervision, but it must be done in a way to prevent regulatory capture.

If confirmed, I would also work with my colleagues on the NCUA Board and staff to ensure that the agency is transparent in its regulatory actions and budgeting process, fair and forward-looking, innovative and inclusive, and risk-focused and ready to act expeditiously when necessary. Together, these steps would help to maintain the independence of the agency going forward.

Q.6. As the prudential regulator and Federal insurer, the NCUA retains oversight over the vast majority of a credit union's operations. However, there are numerous areas where there is overlap with other regulatory agencies, such as the Consumer Financial Protection Bureau (CFPB) in regard to certain consumer financial protection laws and regulations, as well as some areas where other agencies maintain exclusive authority over certain issues, such as the Federal Communications Commission in regard to certain consumer protections, including the Telephone Consumer Protection Act. Do you appreciate the importance of the NCUA's continued coordination with other Federal regulatory agencies?

A.6. Absolutely. Early in my career, I spent 4 years at the Occupational Safety and Health Administration. In this role, I worked on several matters, including interagency jurisdictional issues. While at the NCUA, I also advised agency officials about matters related to the Federal Financial Institutions Examination Council, the interagency body empowered to prescribe uniform principles, standards, and report forms for the Federal examination of financial institutions, and the Financial Stability Oversight Council. As a result, I recognize that Government agencies need to work together to minimize conflicts, inform decision making, collaborate, and coordinate. If confirmed, I would work to do just that.

Q.7. How will you ensure the NCUA works in close collaboration with other agencies on issues and rulemakings that directly impact credit unions?

A.7. In my view, effective regulation and supervision require appropriate engagement with all stakeholders, including Federal financial regulators, State regulators, and other Government agencies. If confirmed, I would work to maintain collaborative relationships with the NCUA's sister agencies at the State and Federal levels, as well as through the Federal Financial Institutions Examination Council. I would also work with my colleagues on the NCUA Board to conduct outreach to other agencies on a case-by-case basis. When done well, such

cooperation should produce better policy outcomes.

Q.8. One of the important responsibilities of the NCUA Board is oversight and management of the National Credit Union Administration Central Liquidity Facility (CLF), an instrumentality of the United States whose purpose is ``to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.''

Since this is the 40th anniversary year of the CLF's establishment and the credit union industry has changed significantly over that course of years in many respects, including the number of credit unions and the services they provide, if confirmed would you make a review of the CLF during this anniversary year a priority, with an eye towards making improvements that may be warranted based on the changes that have occurred since its founding?

A.8. In the aftermath of the financial crisis, the NCUA Board approved its emergency liquidity rule. Among other things, this rule requires credit unions above \$250 million in assets to maintain access to a federally backed liquidity provider like the NCUA's Central Liquidity Facility or the Federal Reserve's Discount Window. After the rule's implementation, there was an initial uptick in the number of credit unions purchasing stock in the CLF. Since then, as I understand it, the number of members of the CLF has remained relatively constant.

If confirmed, I would work with my colleagues on the NCUA Board to determine whether a comprehensive review the operations of the CLF and the NCUA's emergency liquidity requirements is needed at this time. I would approach any such review with an open mind and an eye on identifying improvements to the CLF's operations as you suggest. In my view, the CLF should examine the creditworthiness of the credit unions to which it lends money. I would also want to reexamine the agency's prior legislative proposals to enhance access to emergency liquidity for the credit union system by making targeted changes to the CLF and expanding the agency's access to the U.S. Treasury.

RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM TODD M. HARPER

Q.1. The National Credit Union Administration staff has been through a major consolidation--a shrinking to three regional offices from five. How will you manage this transition so that the staff remain focused on their mission and have the resources they need? Does the consolidation present any concerns?

A.1. As I understand it, the NCUA completed the consolidation of its regional offices at the start of 2019. Therefore, if confirmed, my concerns going forward would be to identify and ameliorate any unintended consequences from the consolidation. First, it is important to learn the views of credit unions about any problems resulting from the consolidation, such as additional costs and increased staff time for some credit unions to travel to meet with regional office leaders.

Additionally, I have concerns about the ability of regional offices to effectively coordinate across a greater number of States. As such, I would want to learn more about their experiences by speaking with both regional directors and State regulators. In a dual-chartering system, open and frequent dialogue between Federal and State regulators is important to maintain safety and soundness and achieve the requirements of the Federal Credit Union Act and other laws.

Finally, the NCUA's staff is the agency's most important asset. I would, therefore, want to speak with the workforce to determine their impressions of the reorganization. I particularly would like to see how the structural changes have affected the employee engagement and satisfaction metrics in the annual Employee Viewpoint Survey compiled by the Partnership for Public Service. If confirmed, I would work with my colleagues on the NCUA Board to determine ways we could improve those scores going forward if they have declined.

Q.2. Nationwide, nearly 20 million families live in manufactured homes, about 7 percent of the housing stock. The quality of the homes is good but at times, the financing can be predatory. The duty-to-serve requirements of Fannie Mae and Freddie Mac could provide an opportunity for credit unions to increase their lending to manufactured home buyers.

Do you see an opportunity for credit unions to provide more loans to people wishing to buy a manufactured home? If so, what will you do to help credit unions serve manufactured home buyers?

A.2. Yes. As I understand it, Fannie Mae and Freddie Mac are currently implementing the duty-to-serve rule adopted by the Federal Housing Finance Agency in 2016. Among other requirements, the enterprises must support the manufactured housing industry. Eligible activities include manufactured homes titled as real property, manufactured homes titled as personal property, and blanket loans for certain categories of manufactured housing communities.

Presently, 47 percent of federally insured credit unions have the low-income designation, which generally means that a majority of the credit union's members live in areas where residents earn 80 percent or less than the median family income for the metropolitan area or the national metropolitan area, whichever is greater. Because such households are more likely to purchase manufactured housing, these low-income credit unions are uniquely situated to make the most of this opportunity and better serve their members.

If confirmed to the NCUA Board, I would work to raise the awareness of all credit unions about the ongoing and evolving efforts of Fannie Mae and Freddie Mac to support manufactured housing. I would also work to encourage low-income credit unions to collaborate with both enterprises through convening meetings with interested parties, writing opinion pieces, and sharing information as appropriate. Further, I would explore how the NCUA's current rules for manufactured housing loans are working. These rules were last updated more than a decade ago and may need further refinements. Finally, I would support financial literacy efforts by the NCUA's Office of Consumer Financial Protection to educate consumers about manufactured housing loans so they can make more informed decisions when purchasing a home.

Q.3. This Committee has invested a fair bit of time trying to stop money laundering and terrorist financing while also keeping access to the financial system for cash businesses, humanitarian groups and people sending remittances abroad to fragile Nations.

Do you have any advice for us on how to improve the Bank Secrecy Act and Anti-Money-Laundering statutes that detect such dangerous activities while avoiding harmful derisking for legitimate actors?

A.3. As I understand it, Bank Secrecy Act and Anti-Money-Laundering regulations apply to all credit unions regardless of asset size. Accordingly, the NCUA has put in place rules to require all federally insured credit unions to develop a written, risk-based Bank Secrecy Act compliance program. Smaller credit unions also encounter compliance challenges, resulting from a lack of staffing and expertise, the migration of high-risk activities into the credit union space, and a delay in adapting training and independent testing programs. In establishing a new statutory system, Congress should remain mindful of these regulatory burdens.

Q.4. Do you have recommendations to implement?

A.4. In my view, Congress should keep the experiences of small credit unions in mind when updating the Bank Secrecy Act and related laws. In developing a new system, priority should be given to:

- focusing first on targeting and identifying criminal activity;

- reducing unnecessary paperwork burdens;

- using artificial intelligence to determine incidents of money laundering just as credit card providers use such technology to identify irregularities in consumer purchases;

- allowing regulators to tailor statutory requirements, where possible, to minimize burdens for smaller financial institutions; and

- permitting the sharing of information between financial institutions.

Equally important is ensuring the ability of immigrants to send money back home to support the legitimate needs of their families and friends, such as shelter, food, and clothing, to name a few. If confirmed, I would further explore how to update the law with the NCUA's experts.

Q.5. The NCUA is unique from other Federal financial regulatory agencies in that it is an independent regulator and insurer of credit unions. Do you support the agency's continued independence?

A.5. Yes. In the aftermath of the savings-and-loan crisis, Congress worked to strengthen Federal financial institutions regulators by providing independence in setting budgets and collecting fees, submitting testimony to Congress, and allowing

for rulemaking outside of the OMB-approval process used for other executive branch agencies, among other things. Such independence helps to ensure the effective supervision of the credit union system and protects against inappropriate political interference.

Q.6. What can the NCUA do to ensure it is able to maintain its current status as an independent regulator and insurer?

A.6. First and foremost, the NCUA must continue to ensure the safety and soundness of the credit union system and protect the National Credit Union Share Insurance Fund from losses. The agency must also maintain an arm's-length distance from the entities it charters, regulates, or insures. Appropriate engagement with all stakeholders is important to develop effective, but not excessive, regulation and supervision, but it must be done in a way to prevent regulatory capture.

If confirmed, I would also work with my colleagues on the NCUA Board and staff to ensure that the agency is transparent in its regulatory actions and budgeting process, fair and forward-looking, innovative and inclusive, and risk-focused and ready to act expeditiously when necessary. Together, these steps would help to maintain the independence of the agency going forward.

Q.7. As the prudential regulator and Federal insurer, the NCUA retains oversight over the vast majority of a credit union's operations. However, there are numerous areas where there is overlap with other regulatory agencies, such as the Consumer Financial Protection Bureau in regard to certain consumer financial protection laws and regulations, as well as some areas where other agencies maintain exclusive authority over certain issues, such as the Federal Communications Commission in regard to certain consumer protections, including the Telephone Consumer Protection Act.

Do you appreciate the importance of the NCUA's continued coordination with other Federal regulatory agencies?

A.7. Absolutely. Early in my career, I spent 4 years at the Occupational Safety and Health Administration. In this role, I worked on several matters, including interagency jurisdictional issues. While at the NCUA, I also advised agency officials about matters related to the Federal Financial Institutions Examination Council, the interagency body empowered to prescribe uniform principles, standards, and report forms for the Federal examination of financial institutions, and the Financial Stability Oversight Council. As a result, I recognize that Government agencies need to work together to minimize conflicts, inform decision making, collaborate, and coordinate. If confirmed, I would work to do just that.

Q.8. How will you ensure the NCUA works in close collaboration with other agencies on issues and rulemakings that directly impact credit unions?

A.8. In my view, effective regulation and supervision require appropriate engagement with all stakeholders, including Federal financial regulators, State regulators, and other Government agencies. If confirmed, I would work to maintain collaborative relationships with the NCUA's sister agencies at the State and Federal levels, as well as through the Federal Financial

Institutions Examination Council. I would also work with my colleagues on the NCUA Board to conduct outreach to other agencies on a case-by-case basis. When done well, such cooperation should produce better policy outcomes.

Q.9. Last summer, NCUA proposed significant changes to the program it calls ``Payday Alternative Loans,'' or ``PAL''. For nearly a decade, this program has permitted Federal credit unions, on loans up to \$1,000, to charge more than the Federal credit union interest rate limit (28 percent instead of 18 percent) as well as an application fee of up to \$20 per loan. But it has always included an important limit--it limits the number of these \$20 fees to three every 6 months--a measure that prevents credit unions from abusing the program by repeatedly charging \$20 on even very small loans, keeping customers in a cycle of repeat loans that mirrors the payday loan debt trap itself.

But in its 2018 proposal, NCUA inexplicably proposed lifting this limit--a proposal that was opposed by more than 100 civil rights, faith, consumer and community groups, as well as the National Federation of Community Development Credit Unions (now Inclusiv)--because it would make it easier for credit unions to trap customers in unaffordable short-term loans. NCUA has not yet finalized this proposal.

Would you oppose sanctioning the ability of Federal credit unions to put members into an unlimited number of high-cost short-term loans?

A.9. Yes. In my view, allowing for unlimited rollovers has the potential to trap individuals in a cycle of debt. If confirmed to the NCUA Board, I would explore how to expand consumer access to affordable, short-term credit products while also maintaining the safety and soundness of credit unions. Allowing for unlimited rollovers and unlimited fees associated with such rollovers would be inconsistent with my views. I believe credit unions should provide access to affordable financial products for their members, especially those of modest means.

Q.10. If the CFPB's commonsense payday loan rule was repealed, the new PAL proposal would permit a 1-month, \$100 loan with two semimonthly payments, at an effective APR of 345 percent, flipped 11 times in a year (so, 12 loans total). This is an annual cost of \$240, plus 28 percent interest, for effectively \$100 in credit. Does this sound like the kind of behavior NCUA should be encouraging, especially when it has a near decade-old policy that would limit high-cost loans to three loans every 6 months?

A.10. The NCUA's current PALs product is designed to expand access to affordable financial services in a safe-and-sound manner. It provides an affordable alternative to predatory payday and title loans for consumers. In my view, it is very important to maintain the consumer protections built into the current regulation, including appropriate limits on fees, interest rates, and rollovers.

With respect to the proposed rule, if confirmed, I would work with my colleagues to ensure appropriate consumer protections remain in place, like those related to limits on fees, interest rates, and rollovers. When working on these issues, I also would apply the lessons I learned when working for Congress on issues like mortgage servicing, escrows, and

appraisals to hopefully reach consensus with my colleagues, effectively protect consumers, and expand the ability of credit unions to meet the needs of their members.

Q.11. The ``ability to repay'' concept exists in virtually every regulatory or legislative precedent. It includes an assessment not only of income--or the lender's ability to seize that income on payday--but also of obligations or expenses.

Should a Federal credit union make loans based on a determination that the borrower has the ability to repay the loan?

A.11. Yes. It is important to ensure that Federal credit union members receiving a payday alternative loan can repay the advance so that they can build a positive credit history and gain access to more affordable loan products offered by federally insured credit unions and other mainstream financial services providers. As I understand it, the guidance covering the current payday alternative loan rule contains best practices for responsible underwriting, including obtaining documentation of income, as well as reviewing account activity for existing members, for determining the ability of an individual to repay the short-term loan. It is important to continue this practice.

Q.12. Currently, NCUA rules severely limit the ability of Federal credit unions to hedge the interest rate risk of having long-term loans, such as mortgages, and short-term deposits. Other financial institutions do not have this restriction.

Should credit unions be able to hedge this interest rate risk for the safety of the credit unions and the insurance fund? Why or why not?

A.12. To manage the risk on their balance sheets, credit unions need to have the ability hedge their interest rate risk. In 2014, the NCUA Board approved a final rule to provide approved Federal credit unions with limited authority to mitigate interest rate risk by allowing the purchase of specified, ``plain vanilla'' derivatives. As I understand it, this regulation applies only to Federal credit unions, and is not applicable to federally insured, State-chartered credit unions, except where States have provided approval for such authority.

As part of its current regulatory reform agenda, the NCUA has proposed revisiting this regulation. If confirmed, I would approach this issue with an open mind. When done well, the use of hedges can reduce risks for the credit union and the Share Insurance Fund. When done poorly, however, such hedging could pose substantial risks for the credit union system.

In looking at this policy issue, if confirmed, I would want to explore the complexity of the hedging product, the sophistication of the credit union and its staff, and the risks posed to the Share Insurance Fund, among other things. My findings on each of these issues would inform my determination about whether to support or oppose changes the agency's existing regulations in this area.

Q.1. Mr. Harper, credit unions play a critical role in providing financial services to underserved communities. However, given their traditional structure, credit unions have not been included in the Community Reinvestment Act (CRA). As you know, the Federal financial regulators are currently considering updates to the implementation of CRA. Given the change in business models, practices, and technology in both banks and credit unions in the years since CRA was last updated, I believe this is an opportunity to take a comprehensive look at how institutions of all type serve their communities.

While Congress would need to act to apply CRA to credit unions, do you believe there are steps NCUA can take to ensure that credit unions of all sizes are adequately providing services to underserved communities?

A.1. First and foremost, if confirmed as an NCUA Board Member, I would set a tone at the top by regularly reminding credit unions of their statutory mission to promote thrift, especially for people of modest means. Additionally, I would publicly support legislative efforts in Congress to allow all Federal credit unions to add underserved areas to their fields of membership. This change to the law would likely have the greatest impact on expanding access to affordable financial services for the unbanked and underbanked.

Additionally, I would support the ongoing efforts of the agency to use data collected under the Home Mortgage Disclosure Act to determine whether credit unions are fulfilling their fair lending responsibilities. Specifically, the agency's Office of Consumer Financial Protection actively analyzes this data to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. To effectively enforce such laws, the office also relies on observations and recommendations from the NCUA's field examiners, compliance violations reported in the NCUA's examination tool, and member complaints. If confirmed, I would review these existing efforts to determine whether any further changes are merited.

Finally, when the NCUA charters a new credit union, approves a field-of-membership expansion for an existing community-based credit union, or permits a credit union to convert to a community charter, the credit union must have in place a business and marketing plan, which the agency then monitors for compliance over a period of several years. Consistent with the Federal Credit Union Act and other Federal laws, the NCUA Board could consider putting in place a similar process to evaluate whether certain credit unions are adequately providing financial services to underserved communities.

In applying such a rule, the NCUA could focus on Federal credit unions having: a community charter, an underserved area in the field of membership, or assets above a predetermined threshold. However, in adopting any such rule, the agency would need to ensure that it is properly scoped, minimally burdensome, and effectively tailored to meet the purposes of such a rule. If confirmed, I would work with my fellow Board Members and agency staff to further explore this issue.

Q.2. Mr. Harper, credit unions, along with banks, money service businesses and other financial institutions, are tasked with being on the ``front lines'' of our current Anti-Money-

Laundrying (AML) regime. There is currently bipartisan agreement that our current AML system is in need of updating and reform. The system is too often inefficient and expensive while not adequately providing law enforcement with the information they need to pursue criminals. In addition, there is broad agreement that there should be broad collection of beneficial ownership information. Specifically, what do you believe should be priorities for creating a modern risk-based AML system?

A.2. As I understand it, Bank Secrecy Act and Anti-Money-Laundering regulations apply to all credit unions regardless of asset size. Accordingly, the NCUA has put in place rules to require all federally insured credit unions to develop a written, risk-based Bank Secrecy Act compliance program. Smaller credit unions also encounter compliance challenges, resulting from a lack of staffing and expertise, the migration of high-risk activities into the credit union space, and a delay in adapting training and independent testing programs.

In my view, Congress should keep the experiences of small credit unions in mind when updating the Bank Secrecy Act and related laws. In developing a new system, priority should be given to:

- focusing first on targeting and identifying criminal activity;

- reducing unnecessary paperwork burdens;

- using artificial intelligence to determine incidents of money laundering just as credit card providers use such technology to identify irregularities in consumer purchases;

- allowing regulators to tailor statutory requirements, where possible, to minimize burdens for smaller financial institutions; and

- permitting the sharing of information between financial institutions.

If confirmed, I would further explore how to update the law with the NCUA's experts.

Q.3. Mr. Harper, credit unions play a critical role in providing financial services to underserved communities. However, given their traditional structure, credit unions have not been included in the Community Reinvestment Act (CRA).

As you know, the Federal financial regulators are currently considering updates to the implementation of CRA. Given the change in business models, practices, and technology in both banks and credit unions in the years since CRA was last updated, I believe this is an opportunity to take a comprehensive look at how institutions of all types serve their communities.

While Congress would need to act to apply CRA to credit unions, do you believe there are steps NCUA can take to ensure that credit unions of all sizes are adequately providing services to underserved communities?

A.3. See the answer to your first question above.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SMITH
FROM TODD M. HARPER

Q.1. I often hear stories about a difficult barrier to constructing new housing in rural areas and tribal lands--both affordable housing and workforce housing. That barrier is access to lenders and financial institutions. What role should credit unions play in ensuring that new housing construction in rural areas and tribal lands is adequately financed?

A.1. If confirmed to the NCUA Board, providing financial services to the unbanked and underbanked would be one of my priorities. In my view, given their statutory mission to promote thrift, especially for people of modest means, Federal credit unions serving rural areas and tribal reservations have a unique opportunity to finance affordable housing and workforce housing. Accordingly, I would work to advance that goal.

As I understand it, Fannie Mae and Freddie Mac are currently implementing the duty-to-serve rule adopted by the Federal Housing Finance Agency in 2016. Among other requirements, the enterprises must support housing for high-needs rural populations, including individuals living on tribal reservations and agricultural workers.

Credit unions with a field of membership that includes rural communities or tribal areas are especially well situated to address this affordable housing need as they know the communities they serve. If confirmed to the NCUA Board, I would, therefore, work to raise the awareness of credit unions about the ongoing and evolving efforts of Fannie Mae and Freddie Mac to support affordable housing in rural communities and tribal areas. I would also work to encourage credit unions to collaborate with both enterprises through convening meetings with interested parties, writing opinion pieces, and sharing information as appropriate.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA
FROM TODD M. HARPER

Q.1. Unlike other Federal financial regulatory agencies, the NCUA is an independent regulator and insurer of credit unions. How will you ensure the agency continues to be independent and vigilant in protecting the safety and soundness of credit unions in Arizona?

A.1. First and foremost, the NCUA must continue to ensure the safety and soundness of the credit union system and protect the National Credit Union Share Insurance Fund from losses. Accordingly, my focus would be on capital, liquidity, and cybersecurity. I would also work to ensure that the agency has enough staff and funding to conduct timely and adequate supervision of federally insured credit unions in Arizona and across the country.

The agency must also maintain an arm's-length distance from the entities it charters, regulates, or insures. Appropriate engagement with all stakeholders is important to develop

effective, but not excessive, regulation and supervision, but it must be done in a way to prevent regulatory capture.

Finally, if confirmed, I would work with my colleagues on the NCUA Board and staff to ensure that the agency is open about its regulatory actions and transparent in its budgeting process, an issue that you have personally worked on. The NCUA should also be fair and forward-looking, innovative and inclusive, and risk-focused and ready to act expeditiously when necessary. Together, these steps would help to maintain the independence of the agency going forward.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN
FROM RODNEY HOOD

Q.1. Fees--Last fall, the New York Times reported on high fees and interest rates charged to members of the Marriott Employees' Federal Credit Union--a credit union that was formed so that employees would have access to low cost financial services. \1\ Marriott Employees' Federal Credit Union has a low income designation meaning 50 percent of its members have family incomes of less than 80 percent of the median income in the areas it serves.

\1\ ``Marriott Workers Struggle To Pay Bills, Credit Union Feeds'', the New York Times, October 11, 2018, available at <https://www.nytimes.com/2018/10/11/business/marriott-credit-union-employee-strike.html>.

As the article indicated, many of these workers are struggling to make ends meet, and these fees make their economic situations worse. In the same article, it was reported that some of the executives and management of Marriott who also use the credit union are receiving million dollar mortgages and car loans at below-market interest rates.

If confirmed, will you commit to review credit unions' fees like overdraft and minimum balance charges as described in the article? Will you commit to crack down on fees if they are inconsistent with the credit union system's mission of providing affordable financial services to working families?

A.1. If confirmed to the NCUA Board, I commit to reviewing credit unions' fees and working to prevent the collection of fees that are inconsistent with the credit union system's mission of providing affordable financial services to working families. While I understand and believe that certain fees are a necessary part of credit union operations, I pledge to do my level best to ensure that any fees which are collected are consistent with the credit union mission of ``people helping people'' and do not needlessly penalize the underserved and those of lesser means.

Q.2. Financial Crisis--You served on the Board of the NCUA from 2005 to 2010--the years leading up to and during the financial crisis. What lessons did you learn about credit union regulation from that time? What issues will you approach differently now because of that experience?

A.2. It was my great honor and privilege to serve as an NCUA Board Member for 4 years, from 2005-2009. My time there, as

well as my education and my experiences both before and after my NCUA tenure, shaped my regulatory philosophy that regulation needs to be effective, but not excessive. To that end, if I am confirmed to the NCUA Board, I would support a regulatory regime that is risk focused and market-oriented. While my paramount responsibility would be ensuring the safe and sound operation of federally insured credit unions, I also would strive to be recognized as a fair and thoughtful regulator, one who realizes the value and necessity of regulation while remaining cognizant of the impact of excessive regulation. I, therefore, would support appropriately tailored regulations, scaled to an institution's size and complexity. I believe that such targeted regulations provide an environment that better protects the credit union system and the National Credit Union Share Insurance Fund and is friendlier to credit unions.

One of my lasting accomplishments from my previous term focused on risk management, as years of experience in the financial services industry has taught me that financial institutions cannot avoid all risks and should instead take appropriate steps to mitigate and manage risks. As an NCUA Board Member, I launched a series of Enterprise Risk Management Summits, which provided training to credit unions on how to do just that. Working in collaboration with regulators from the Federal Reserve, the OCC, the FDIC, the Federal Home Loan Banks, and the National Economic Council, I hosted sessions with subject matter experts and credit union leaders in risk areas such as liquidity, interest rate, and concentration risk. If confirmed to the NCUA Board, I would continue my efforts in this important area, with a particular focus on cybersecurity risk.

Additionally, the financial crisis and my time at the NCUA emphasized to me the crucial role the NCUA and the credit union industry can--and must--play in improving financial access for vulnerable communities. If confirmed, one of my top priorities would be to ensure that the NCUA creates opportunities to promote financial education and financial inclusion and fosters an environment where low-to-moderate income and disabled individuals have access to affordable financial services.

Q.3. Underbanked and Unbanked--In your testimony you indicated that one of your top priorities is to increase access for the unbanked and underbanked to credit union products and services. If confirmed, what will you propose to achieve this objective?

A.3. As I noted in my testimony, my interest in serving vulnerable communities grew from my volunteer work as a missionary in Africa and later as a banker engaged in community development. I have been fortunate to spend over 25 years working with some of the country's most respected financial institutions that sought to empower economic stability and shared prosperity in our local communities. I have held management positions that allowed me to promote community development and outreach initiatives to underserved communities. As a provider of affordable housing and small business lending, I oversaw loan programs, managed teams of regional community development managers, and worked with credit policy groups to evaluate and manage risks. It literally has been my life's work, and this work dovetails seamlessly with the ethos of the credit union industry, which is "people helping people." It is work that I hope to continue at the NCUA, if confirmed again to the NCUA Board. If confirmed, I

would explore all avenues within the NCUA's authority to increase access for unbanked and underbanked individuals to credit union products and services, including building upon the NCUA's already impressive financial literacy efforts.

In addition to working to improve unbanked and underbanked individuals' access to credit union services under the NCUA's current authority, I would also like to work with Congress on legislative changes to allow all Federal credit unions, regardless of charter type, to add underserved areas to their fields of membership. Doing so would allow these institutions to offer financial services to those with no or limited access to credit union membership.

Q.4. Mergers, Acquisitions, and Consolidation--There has been a trend in consolidation in the financial industry, including among credit unions. NCUA approved 53 mergers in the fourth quarter of 2018 and credit union mergers and acquisitions have increased the size of the average credit union. What do you think is the impact of consolidation on credit union members? What can be done, if anything, to slow down or reverse this trend?

A.4. While I share your concern about consolidation's potentially negative impact on credit union members, I also believe that consolidation can, and often does, have a positive impact. In many cases, credit unions involved in mergers are quite small and have limited hours, locations, services, and product availability. In such cases, members can access an expanded set of services and products through a merger. The merging credit unions can take advantage of better economies of scale, thus improving their competitiveness against larger financial institutions.

When mergers between credit unions do occur, a credit union's members--its owners and customers--generally vote on whether to permit the merger. This ownership structure provides some degree of assurance that the merger will be good for consumers. In such merger votes, the potential benefits to members, including lower loan rates or higher rates on deposits, often plays a key role in determining whether the merger occurs.

If confirmed, I commit to working with credit unions, and small credit unions in particular, to ensure their continued viability in this ever-changing financial services marketplace. At the same time, I will continue to support a credit union's decision to merge with another credit union if that is the will of its membership.

Q.5. If confirmed, when approving credit union mergers or acquisitions, how will you ensure that continued presence and investment in the local community are taken into consideration so that working families continue to have access to financial services?

A.5. Credit unions, like all financial institutions, are undergoing consolidation. I believe that many factors are responsible for this trend, including economies of scale and the burden of regulatory compliance. In some cases, a credit union may seek a merger when a sponsor that has been supporting the credit union's operating expenses or providing office space withdraws that support. If confirmed to the NCUA Board, an important consideration for me in the approval of mergers or

acquisitions would be continuity of service to the members of the impacted financial institutions. From discussions with agency staff, I understand that, in most mergers of credit unions, the continuing credit union retains most or all of the merging credit union's locations and staff. When retaining the location of a merging credit union is impracticable or impossible, such as when a merging credit union's facility is located in a factory or building of the sponsor discontinuing support, the merging credit union's board of directors often favors a merger partner with a nearby location. I further understand that, in the current approval process, the NCUA takes account of such factors as continued presence and service in the local community. If confirmed to the NCUA Board, I would support that current practice and would explore other avenues within the NCUA's current authority to ensure that working families do not lose access to critical financial services due to a merger or acquisition of their credit unions.

Q.6. Pentagon Federal Credit Union Merger--Earlier this year, Pentagon Federal Credit Union (PenFed), a credit union with \$23 billion in assets and over 1.6 million members, acquired Progressive Credit Union, a NY State chartered credit union with \$383 million in assets and an open charter. While PenFed has said it will not use the open charter, if it were to change its mind in the future, would you support that decision? If so, should the NCUA change how it regulates a large credit union with no restrictions on its field of membership?

A.6. As I understand it, the situation with PenFed is a unique one resulting from an emergency merger with Progressive Credit Union, a State-chartered credit union that held a (grandfathered) national field of membership from the State of New York. I further understand that very few credit unions maintain such a broad field of membership. If confirmed to the NCUA Board, I would not necessarily object to PenFed's business decision to use the open charter it acquired through a legal merger process. Before making any decision, however, I would consult with the agency's staff to ensure that PenFed would be able to continue to operate in a safe and sound manner and to fulfill its mission to provide affordable financial services to all of its members, particularly those of modest means.

Q.7. Field of Membership--Over time, State regulators and the NCUA have expanded field of membership rules, to expand access to financial services for a greater number of consumers. Expanding access to the financial system is extremely important, but it is just as important to ensure those same credit unions are serving all members of these increasingly larger communities and fields of membership. What does the NCUA currently do to evaluate a credit union's performance in serving all of its members? Are there any improvements for which you would advocate if confirmed?

A.7. NCUA's Office of Credit Union Resources and Expansion (CURE) oversees the performance of Federal credit unions in serving all their members and ensuring that all members, including those in underserved communities and particularly in urban areas and rural districts, have access to credit union services. I understand that the NCUA requires a newly chartered or newly expanded community credit to submit business and marketing plans for its new community, including underserved

areas. It then reviews the credit union's compliance with those plans for several years after the charter is granted or expanded. If confirmed to the NCUA Board, I would work closely with the NCUA's CURE office to explore all avenues within the NCUA's authority to increase the number of new charters and expanded community charters to facilitate access for unbanked and underbanked individuals to credit union products and services. As well, if confirmed, I would like to work with Congress on legislative changes to allow all Federal credit unions, regardless of charter type, to add underserved areas to their fields of membership. Doing so would allow these institutions to offer financial services to those with no or limited access to credit union membership.

Q.8. Payday Alternative Loan (PALs)--The CFPB Director recently proposed drastically weakening the agency's payday rule. Will you pledge not to follow in Director Kraninger's footsteps and work to maintain the restrictions, fee limits, and current interest rate caps on the NCUA's Payday Alternative Loan (PAL) product?

A.8. If confirmed to the NCUA Board, I pledge to carefully consider a variety of factors to inform my regulatory approach to the NCUA's PALs rule. These factors include, but are not limited to, careful consideration of stakeholder input, the supervisory framework of my Federal banking agency counterparts, and thoughtful evaluation of any unintended consequences of changes. My goal with respect to the NCUA's PALs rule is that it will continue to help consumers find a path to mainstream, lower-cost financial products and services, and I will not support changes to the rule that contravene this objective.

Q.9. NCUA Spending--At your confirmation hearing, Chairman Crapo asked about recent press reports about excessive spending by the current chair of the NCUA Board. While some of the spending is allowed under NCUA policies, some of it was not, as confirmed by the NCUA Inspector General Report. You committed to Chairman Crapo that you would review these policies if confirmed, which I support. You have served on the NCUA Board before, are there certain items you believe should not be reimbursed for Board members or staff by a Federal agency?

A.9. As I committed during my confirmation hearing, if confirmed to the NCUA Board, I will work to ensure the NCUA's spending policies are clearly written and consistent with the other Federal banking regulators. In direct response to your question, I believe only expenses with a business purpose related directly to the mission of the agency should be reimbursed, so that excludes reimbursement for expenses that would be considered entertainment. Moreover, while the reimbursement for alcohol-related representational expenses is legal, as noted by the Office of Inspector General, I would seek a policy change to exclude it as a future reimbursable expense to individual Board members or NCUA staff.

Q.1. Last Congress I was the Senate sponsor of S. 3750, the Common Sense Credit Union Capital Relief Act of 2018. It would call for a delay in the implementation of the NCUA's Risk-Based Capital Rule. What are your thoughts on the RBC Rule? Should implementation of the Rule be delayed? Should Congress reevaluate the need for the Rule entirely?

A.1. If confirmed to the NCUA Board, I would support a further delay to the implementation of the RBC Rule, so that I and my fellow Board Members can further study and assess its real effects on the credit union system. I note that the NCUA will have two new Board Members if my fellow nominee, Todd Harper, and I are both confirmed. Therefore, I think this is the appropriate time to stop and study the RBC Rule. Only after that careful consideration of the costs and benefits should the NCUA Board decide whether to proceed with the RBC Rule and, if so, when. I respectfully note that the question of whether Congress should reevaluate the need for the RBC Rule rests with Congress.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN
FROM RODNEY HOOD

Q.1. In addition to voluntarily following the spirit of the President's Executive Order to reduce regulatory burden, the current NCUA Board has focused much of its recent rulemaking activity on reducing unnecessary regulatory burden. Do you agree with voluntarily following the Executive Order, and will you do so if confirmed?

A.1. Yes, I agree with the current NCUA Board's decision to voluntarily follow the spirit of the Executive Order by amending or repealing regulatory requirements that are outdated, ineffective, or excessively burdensome. If confirmed, I am fully committed to complying with this aim and providing regulatory relief where it makes sense to do so. As articulated in my testimony, I believe in developing effective, but not excessive, regulation that safeguards the safety and soundness of federally insured credit unions, preserves the integrity of the credit union industry, and protects the National Credit Union Share Insurance Fund from losses.

Q.2. With regard to future NCUA rulemakings, what approach will you take in terms of focusing on a reduction of unnecessary regulatory burden?

A.2. As stated above and in my testimony, if confirmed, I would fully support amending or repealing regulatory requirements that are outdated, ineffective, or excessively burdensome. I believe that the regulatory reform agenda that the current NCUA Board has adopted is a good start to improving credit unions' regulatory landscape. More specifically, I would advocate for the continued modernization and tailoring of regulatory requirements to reduce unnecessary burdens and make regulations commensurate with an individual credit union's size, complexity, and risk profile. If confirmed, I would return to the NCUA Board with a risk-based and market-oriented mindset based on several tenets, including being recognized as a fair and thoughtful regulator who realizes the value and necessity

of regulation but remains cognizant of the impact of excessive regulation.

Q.3. Credit unions, as not-for-profit, member owned institutions, are inherently different than for-profit banks. It is critical that a member of the NCUA Board appreciate this difference and support the credit union philosophy of people helping people. While it is inevitable that some credit unions will occasionally choose to switch from a credit union to a bank charter, what will you do to uphold the core philosophy of credit unions to ensure they remain a viable source of financial services for Americans?

A.3. My work spanning over 25 years in the financial services industry fits seamlessly with the core philosophy of credit unions, which is ``people helping people.'' Through my education and that work, including many years focused on community development and my prior service on the NCUA Board, I have developed a keen understanding of the tremendous responsibilities of regulators. The NCUA plays a vital role as both regulator and insurer to protect the savings of more than 100 million American in an industry with more than \$1.4 trillion in assets. If confirmed for another term as an NCUA Board Member, I will return to the NCUA with a risk-based and market-oriented mindset based on the following tenets:

- working to ensure that federally insured credit unions remain safe and sound institutions;

- striving to be recognized as a fair and thoughtful regulator who realizes the value and necessity of regulation but remains cognizant of the burdensome impact of excessive regulation;

- bringing focused leadership and management to the NCUA while seeking to ensure efficient operations and prudent use of resources; and

- understanding the important of disclosure and transparency to a wide variety of stakeholders.

A.4. If confirmed, I would explore all avenues within the NCUA's current authority to increase access for unbanked and underbanked individuals, especially those in our Nation's most vulnerable communities, to credit union products and services. Moreover, I would also like to work with Congress on legislative changes to allow all Federal credit unions, regardless of charter type, to add underserved areas to their fields of membership. Doing so would allow these institutions to offer financial services to those with no or limited access to credit union membership. I believe that all of these experiences, philosophies, and priorities would benefit the credit union system by helping to ensure that credit unions continue to be fulfill their statutory mission of helping people, particularly those of modest means.

Q.4. One of the important responsibilities of the NCUA Board is oversight and management of the National Credit Union Administration Central Liquidity Facility (CLF), an instrumentality of the United States whose purpose is ``to improve general financial stability by meeting the liquidity

needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.'' Since this is the 40th anniversary year of the CLF's establishment and the credit union industry has changed significantly over that course of years in many respects, including the number of credit unions and the services they provide, if confirmed would you make a review of the CLF during this anniversary year a priority, with an eye towards making improvements that may be warranted based on the changes that have occurred since its founding?

A.5. Yes, I believe it would be a fitting time to reexamine the CLF to determine what changes would benefit this very important liquidity tool for credit unions. If confirmed, I would work with my fellow Board Members to explore all avenues within the NCUA's current authority to update and modernize the CLF. Further, I would welcome the opportunity to work with Congress on legislative changes needed to improve the CLF's effectiveness and utility to the credit union system. Given the important role the CLF plays in providing a liquidity source to credit unions, if confirmed, I would support efforts to improve the CLF's operations and functionality.

RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM RODNEY HOOD

Q.1. Mr. Hood, you served on the NCUA board prior to the Financial Crisis. We know that a number of credit unions purchased mortgage-backed securities that resulted in their institutions failing. What have you learned about avoiding risk that you would do differently during your service this time?

A.1. There were four corporate, or wholesale, credit unions that failed because the AAA- and AA-rated private label mortgage-backed securities they purchased experienced large losses when the underlying mortgages experienced high levels of default during the Great Recession. Consumer, or retail, credit unions largely avoided these types of securities, and thus none failed from losses on such securities. The biggest lesson learned for me is just how important it is that an enterprise have the necessary expertise and strong governance when investing in more complex or risky financial products. Good risk management and governance will result in proper control over how much exposure an institution takes relative to its capacity to handle the risk in relation to capital and liquidity levels. Regulators need to ensure this expertise and strong governance is in place and operating effectively for credit unions with complex or risky assets, or high concentrations of certain assets.

Q.2. Mr. Hood, please tell me more about how you think NCUA can support financial inclusion for people with disabilities? Both as employees and in ensuring credit unions provide access for people who may be blind, hard of hearing or have another disability?

A.2. If confirmed to the NCUA Board, I would bring with me a strong commitment to diversity and inclusion in all things and on all levels, including financial inclusion for people with

disabilities. I believe all persons should enjoy equal and fair access to quality, safe, and affordable financial products and services. As an NCUA Board Member, I would continue my work to advance inclusion for people with disabilities by ensuring everyone has equal and fair access to mainstream financial services. I would work to encourage credit unions to provide financial education, savings, and other products and services that meet the needs of all members, including those with disabilities. Moreover, I would work to ensure that, as the regulator, the NCUA is sensitive to and considers the needs of the individuals with disabilities when issuing regulations.

I believe that the NCUA can support financial inclusion for people with disabilities in many different ways and, if confirmed, I would prioritize working with agency staff in the following ways to advance inclusion:

The NCUA's Office of Credit Union Resources and Expansion provides resources, such as grants and web-based training, to credit unions. If confirmed as an NCUA Board Member, I would like to see the office expand their offerings to include grants, training, and educational resources specifically designed to stimulate financial inclusion for people with disabilities. I would work to ensure this training is relevant and accessible to individuals with disabilities so they, too, can obtain the training they need to be successful.

One of the charges of the NCUA's Office of Minority and Women Inclusion is to monitor and assess diversity and inclusion in the credit union industry. To that end, the OMWI office, through presentations and written publications, actively encourages credit unions to embrace diversity and inclusion in the workplace, in the boardroom and in the products and services they offer. If confirmed, I would support this effort and work with the office to encourage credit unions to develop products such as home and vehicle modification loans to enable people with disabilities to meet their unique challenges.

The NCUA must be diligent in ensuring that its regulations do not place an undue burden on any group, including people with disabilities. It is also critical that the NCUA enable and encourage credit unions to establish products and services that enhance the financial inclusion of this community. For example, many mainstream matched savings products specify that deposits come from earned income, which by default may exclude some individuals with disabilities as many depend on a wide variety of public benefits for their income and other needs. Being inclusive requires that public benefits and other nonearned income sources also be considered for such product types.

The NCUA can also work to expand savings programs like ABLE Accounts. These tax-advantaged matched savings accounts for individuals with disabilities and their families were created with the passage of the Achieving a Better Life Experience Act of 2014, better known as the ABLE Act. Such programs can ease the

significant financial burden faced by people with disabilities that require expensive accommodations and services.

Research has shown that people with disabilities are more likely than people without a disability to be unbanked or underbanked. The NCUA's Office of Minority and Women Inclusion can encourage credit unions to partner with organizations offering programs designed to serve the unbanked or underbanked such as the Volunteer Income Tax Assistance program. The VITA program provides free tax assistance and tax preparation services to the unbanked and underbanked and those with disabilities. These services are generally paired with financial education, savings, and other products and services specifically designed for this population. Additionally, the VITA program helps ensure people with disabilities are aware of and benefit from all available tax credits, thus providing participants with additional income and greater financial stability.

I believe ensuring access to financial services for individuals with disabilities is an opportunity, not a burden, for credit unions. Reducing barriers and encouraging equal access for all leads to stronger communities and a stronger Nation.

Q.3. Mr. Hood, you have served on the Neighborworks board. In FY18, the median credit score for 9,903 Neighborworks clients was 694. As you know, Neighborworks borrowers succeed at home ownership despite having low credit scores. If policies were changed to require a 700 credit score, what would the impact be on home buyers served by credit unions and other entities?

A.3. Having the good fortune of working for more than 25 years in the financial services sector, during which I provided financial education to underserved communities by conducting homebuyer education classes, I keenly appreciate that the availability of mortgages is the cornerstone of American home ownership. For decades, America's credit unions and other financial institutions have enabled home ownership by originating mortgages not just to those with pristine credit, but also to those with imperfect credit histories. I believe that establishing an artificial floor on borrower credit scores would jeopardize that dream for many would-be borrowers, including a significant number of minority households.

A score of 700 would reflect an extraordinarily high threshold; indeed, reports indicate that figure is above the U.S. average credit score. Moreover, it should be noted that mortgage underwriters take into account many factors when evaluating loans. I believe that a credit score floor of 700 would inappropriately ignore such considerations, like the size of the borrower downpayment and the debt service burden. A hard floor would seem misguided, as many loans with borrower credit scores of less than 700 are extraordinarily safe from a credit risk perspective.

A final point is that there is great imprecision associated with credit scores. As credit risk modelers readily concede, although credit scores are correlated with the likelihood that a borrower will make payments, there is significant ``noise''

in such measurement. A given borrower with a credit score of 690 may, in fact, be just as likely to make payments as someone with a score of 710. Credit scores are merely statistical measures that make use of ``hard'' information in credit repositories. Such information can be flawed and, in fact, does not reflect a complete picture of the borrower's financial condition. Accordingly, I believe that great care must be exercised when considering the imposition of a fixed credit score floor.

Q.4. Mr. Hood, you noted your opposition to rulemaking that was ``excessive.'' Please identify at least three rules that pertain to credit unions that you believe are ``excessive.'' What changes would you recommend to those rules?

A.4. The current NCUA Board has adopted and published a regulatory reform agenda that identifies regulations that it has determined are outdated, ineffective, or excessively burdensome. If confirmed to the NCUA Board, I intend to work with my fellow Board Members and agency staff swiftly yet judiciously to implement this agenda. Among the many regulatory changes identified in the agenda, I believe that the following three regulations are excessive in their current form and that their amendment would greatly benefit the credit union industry: (1) modernization of the Federal credit union bylaws; (2) modernization of the NCUA's regulations governing credit union investments; and (3) modernization of the Bank Secrecy Act requirements applicable to credit unions.

First, I believe that the Federal credit union bylaws need to be modernized. An update to the form of bylaws that the NCUA has adopted is long overdue. In fact, as I understand it, the form of bylaws was last updated during my prior tenure on the NCUA Board. Fortunately, the current NCUA Board has already issued a proposed rule to update, clarify, and simplify the Federal credit union bylaws and remove outdated, obsolete, or excessively burdensome provisions. If confirmed, I look forward to reviewing the comments received on the proposal and assisting in the development of a final rule to modernize the bylaws so that they provide flexibility in governance for both credit unions and their members.

The second regulatory change I would like to see made is the modernization of the NCUA's regulations governing credit union investments to remove unnecessary restrictions that are not statutorily required and not required from a safety and soundness perspective. The NCUA's regulatory reform agenda suggests a change to a more principles-based approach.

Finally, I would like to work to update credit union Bank Secrecy Act requirements. While the NCUA has limited authority in this area, I believe that the NCUA needs to continue working on an interagency basis and with Congress to modernize Bank Secrecy Act requirements so that they are both more effective and less burdensome on financial institutions.

Q.5. The National Credit Union Administration staff has been through a major consolidation--shrinking to three regional offices from five. How will you manage this transition so that the staff remain focused on their mission and have the resources they need? Does the consolidation present any concerns?

A.5. From my briefings with agency leadership, the transition

was completed as of January 1, 2019, with as minimal disruption as possible to staff and operations. The NCUA completed its restructuring of the agency's headquarters at the start of 2018, while the regional office restructure was completed at the start of 2019. If confirmed, I plan to continue the dialogue I have already started with each agency office head to ensure proper balancing of sufficient resources to meet the agency's mission with the substantial savings the restructuring provided to the credit unions that fund the agency's budget. As well, from my first term as an NCUA Board Member, I know that the NCUA's staff are second-to-none in their professionalism, enthusiasm, and dedication to the agency's mission. If confirmed for another term as an NCUA Board Member, I would work diligently to ensure that nothing from this recent consolidation has changed that.

Q.6. Nationwide, nearly 20 million families live in manufactured homes: about 7 percent of the housing stock. The quality of the homes is good but at times, the financing can be predatory. The duty-to-serve requirements of Fannie Mae and Freddie Mac could provide an opportunity for credit unions to increase their lending to manufactured home buyers. Do you see an opportunity for credit unions to provide more loans to people wishing to buy a manufactured home? If so, what will you do to help credit unions serve manufactured home buyers?

A.6. Yes, I see a ripe opportunity for credit unions to continue to support the manufactured home markets in a safe and sound manner. Loans for manufactured housing and mobile homes is an important service that credit unions provide and, if confirmed, I would work to make sure credit unions have the flexibility they need to make these loans, consistent with safety and soundness principles. In 2005, the NCUA amended its regulations to provide that manufactured housing can qualify for mortgages of up to 20 years. If confirmed to the NCUA Board, I would work with my fellow Board Members and agency staff to explore all available avenues to provide additional flexibilities for manufactured housing lending.

Q.7. This Committee has invested a fair bit of time trying to stop money laundering and terrorist financing while also keeping access to the financial system for cash businesses, humanitarian groups and people sending remittances abroad to fragile Nations. Do you have any advice for us on how to improve the Bank Secrecy Act and Anti-Money-Laundering statutes that detect such dangerous activities while avoiding harmful derisking for legitimate actors? Do you have recommendations to implement?

A.7. The current Bank Secrecy Act and Anti-Money-Laundering (AML) statutes place a great deal of responsibility on financial institutions to detect and report illicit financial activity. A risk-based system provides greater flexibility, but also creates uncertainty and requires greater judgment about when to report something. Hence, financial institutions ultimately may choose to avoid providing service to higher risk customers, where the cost of servicing certain accounts to a satisfactory degree of certainty outweighs the benefits. Modernizing the AML system to target the highest priority risks and automate the reporting requirements for lower risks would help alleviate this uncertainty. In addition, I believe that

providing more clarity about reporting requirements for financial institutions would reduce burden and unnecessary de-risking by financial institutions. Finally, as noted above, if confirmed, I would like to work to update credit union Bank Secrecy Act requirements. While the NCUA has limited authority in this area, I believe that the NCUA needs to continue working on an interagency basis and with Congress to modernize Bank Secrecy Act requirements so that they are both more effective and less burdensome on financial institutions.

Q.8. The NCUA is unique from other Federal financial regulatory agencies in that it is an independent regulator and insurer of credit unions. Do you support the agency's continued independence?

A.8. Yes, I support the continued independence of the NCUA, as well as that of the other Federal financial regulatory agencies. Such independence, particularly in the areas of budgeting and rulemaking, enables the NCUA and its peer agencies to be effective at maintaining confidence in the Nation's federally insured financial system and nimble in responding to changing financial conditions, whether in the general economy or at specific institutions. While it's true that the NCUA is unique among Federal financial regulatory agencies by maintaining dual roles as an independent regulator and an insurer, whereas those functions are housed in separate agencies in the Federal banking regulatory system, I note that Congress has uniformly entrusted these functions to independent agencies.

Q.9. What can the NCUA do to ensure it is able to maintain its current status as an independent regulator and insurer?

A.9. If confirmed, my paramount responsibility as an NCUA Board Member would be to protect the safety and soundness of the credit union system and the health of the National Credit Union Share Insurance Fund. I would work with my fellow Board Members to take actions, including the promulgation of necessary regulations, in furtherance of that shared responsibility. I also would work with fellow financial regulators at both the Federal and State levels to ensure the continued confidence in our Nation's federally insured financial system. Moreover, if confirmed, I would like to continue the agency's current focus on transparency and accountability in all aspects of the NCUA's operations.

Q.10. As the prudential regulator and Federal insurer, the NCUA retains oversight over the vast majority of a credit union's operations. However, there are numerous areas where there is overlap with other regulatory agencies, such as the Consumer Financial Protection Bureau in regard to certain consumer financial protection laws and regulations, as well as some areas where other agencies maintain exclusive authority over certain issues, such as the Federal Communications Commission in regard to certain consumer protections, including the Telephone Consumer Protection Act. Do you appreciate the importance of the NCUA's continued coordination with other Federal regulatory agencies?

A.10. Yes, I absolutely appreciate the importance of the NCUA's continued coordination with other Federal regulatory agencies.

As a Federal financial regulatory agency, the NCUA serves on a number of interagency panels, including the Federal Financial Institutions Examination Council (FFIEC) and the Financial Stability Oversight Council (FSOC), that coordinate supervisory policy and regulation across all types of financial institutions. This type of interagency collaboration is critical to ensure consistency among depository financial institutions and continued confidence in the Nation's federally insured financial system.

During my previous term as an NCUA Board Member, I launched a series of Enterprise Risk Management Summits, which provided training to credit unions on how to mitigate and manage risks. Working in collaboration with regulators from the Federal Reserve, the OCC, the FDIC, the Federal Home Loan Banks, and the National Economic Council, I hosted sessions with subject matter experts and credit union leaders in various risk areas. The interagency collaboration was invaluable to these efforts. If confirmed to the NCUA Board, I welcome the opportunity to continue my work in this important area, with a particular focus on cybersecurity and the risk it poses across the entire financial system.

Q.11. How will you ensure the NCUA works in close collaboration with other agencies on issues and rulemakings that directly impact credit unions?

A.11. If confirmed as an NCUA Board Member, I would work with agency staff to monitor legislative and regulatory developments that could directly impact credit unions. Where appropriate, I would reach out to my colleagues at other Federal regulators to highlight the unique nature of the credit union industry and to encourage greater collaboration and information sharing on regulatory initiatives. I would also hope to have the honor of working with fellow regulators on my Enterprise Risk Management Summits and through organizations like Neighborworks.

Q.12. Last summer, NCUA proposed significant changes to the program it calls ``Payday Alternative Loans'', or ``PAL''. For nearly a decade, this program has permitted Federal credit unions, on loans up to \$1,000, to charge more than the Federal credit union interest rate limit (28 percent instead of 18 percent) as well as an application fee of up to \$20 per loan. But it has always included an important limit—it limits the number of these \$20 fees to three every 6 months—a measure that prevents credit unions from abusing the program by repeatedly charging \$20 on even very small loans, keeping customers in a cycle of repeat loans that mirrors the payday loan debt trap itself.

But in its 2018 proposal, NCUA inexplicably proposed lifting this limit—a proposal that was opposed by more than 100 civil rights, faith, consumer and community groups, as well as the National Federation of Community Development Credit Unions (now Inklusiv)—because it would make it easier for credit unions to trap customers in unaffordable short-term loans. NCUA has not yet finalized this proposal. Would you oppose sanctioning the ability of Federal credit unions to put members into an unlimited number of high-cost short-term loans?

A.12. If confirmed to the NCUA Board, I would work with my fellow Board Members to ensure that Federal credit unions continue to provide their members a considerably lower cost

alternative to products offered by traditional predatory payday lenders. Although I would approach this, and any, issue with an open mind, I would be reluctant to sanction any initiative that would not support a consumer's ability to break the crippling cycle of high-cost payday loans.

Q.13. If the CFPB's commonsense payday loan rule was to repealed, the new PAL proposal would permit a 1-month, \$100 loan with two semimonthly payments, at an effective APR of 345 percent, flipped 11 times in a year (so, 12 loans total). This is an annual cost of \$240, plus 28 percent interest, for effectively \$100 in credit. Does this sound like the kind of behavior NCUA should be encouraging, especially when it has a near decade-old policy that would limit high-cost loans to three loans every 6 months?

A.13. As noted above, if confirmed, I would hesitate to approve any regulatory change that would not support a consumer's ability to break the cycle of predatory payday loans.

Q.14. The ``ability to repay'' concept exists is virtually every regulatory or legislative precedent. It includes an assessment not only of income--or the lender's ability to seize that income on payday--but also of obligations or expenses. Should a Federal credit union make loans based on a determination that the borrower has the ability to repay the loan?

A.14. If confirmed to the NCUA Board, I would work to ensure that a credit union makes a PALs loan with its member's best interests in mind, including the amount granted, the loan term, the total cost, and the member's ability to repay the loan. These are all factors that play an important role in a consumer's ability to break the crippling cycle of predatory payday lending.

Q.15. Currently, NCUA rules severely limit the ability of Federal credit unions to hedge the interest rate risk of having long-term loans, such as mortgages, and short-term deposits. Other financial institutions do not have this restriction. Should credit unions be able to hedge this interest rate risk for the safety of the credit unions and the insurance fund? Why or why not?

A.15. I believe that credit unions with the requisite expertise should be able to use derivatives to hedge against interest rate risk. I understand that, in 2014, the NCUA finalized a rule permitting Federal credit unions to use derivatives to mitigate interest rate risk. Applicable State law governs whether federally insured, State-chartered credit unions can similarly use derivatives as a hedge against interest rate risk. As part of its regulatory reform agenda, the current NCUA Board has indicated its willingness to explore whether to provide Federal credit unions with additional flexibility in using derivatives to manage interest rate risk. If confirmed, I would support that effort, provided that any such derivatives instruments and programs are executed and implemented in accordance with strong safety and soundness principles.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES
FROM RODNEY HOOD

Q.1. Mr. Hood, credit unions play a critical role in providing financial services to underserved communities. However, given their traditional structure, credit unions have not been included in the Community Reinvestment Act (CRA). As you know, the Federal financial regulators are currently considering updates to the implementation of CRA. Given the change in business models, practices, and technology in both banks and credit unions in the years since CRA was last updated, I believe this is an opportunity to take a comprehensive look at how institutions of all type serve their communities. While Congress would need to act to apply CRA to credit unions, do you believe there are steps NCUA can take to ensure that credit unions of all sizes are adequately providing services to underserved communities?

A.1. Serving the underserved is a core part of the credit union mission and philosophy, which is to meet the credit and savings needs of consumers, especially persons of modest means. Further, as part of the NCUA's mission to protect the safety and soundness of the credit union system, the agency has developed initiatives to facilitate credit unions more effectively serving their memberships, especially those in underserved areas. I believe that credit unions are fulfilling that mission now and, if confirmed to the NCUA Board, would explore all avenues within the NCUA's authority to increase access for unbanked and underbanked individuals to credit union products and services, including building upon the NCUA's financial literacy efforts.

In addition to working to improve unbanked and underbanked individuals' access to credit union services under the NCUA's current authority, if confirmed, I would also like to work with Congress on legislative changes to the Federal Credit Union Act, such as allowing all Federal credit unions, regardless of charter type, to add underserved areas to their fields of membership. Doing so would allow these institutions to offer financial services to those with no or limited access to credit union membership.

Q.2. Mr. Hood, credit unions, along with banks, money service businesses and other financial institutions, are tasked with being on the ``front lines'' of our current Anti- Money- Laundering (AML) regime. There is currently bipartisan agreement that our current AML system is in need of updating and reform. The system is too often inefficient and expensive while not adequately providing law enforcement with the information they need to pursue criminals. In addition, there is broad agreement that there should be broad collection of beneficial ownership information. Specifically, what do you believe should be priorities for creating a modern risk-based AML system?

A.2. I believe that a modern risk-based AML system must move away from the current process, which is largely manual and very burdensome, and instead leverage technology, such as machine learning and artificial intelligence. For example, if confirmed to the NCUA Board, I would work with law enforcement, my fellow regulators, and the financial community to develop and implement an automated data reporting framework to replace Currency and Transaction Reports. I also would work with

stakeholders to ensure that all financial institutions, including credit unions, could run algorithms designed to address the needs of law enforcement to automate identifying accounts. Overall, I believe that AML requirements need to be flexible to allow resources to be directed toward the greatest priorities and to fit a range of new business models, specifically those that leverage technology and other forms of value exchange such as cryptocurrency.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SMITH
FROM RODNEY HOOD

Q.1. I often hear stories about a difficult barrier to constructing new housing in rural areas and tribal lands--both affordable housing and workforce housing. That barrier is access to lenders and financial institutions. What role should credit unions play in ensuring that new housing construction in rural areas and tribal lands is adequately financed?

A.1. I believe that credit unions play a critical role in helping families achieve the American dream of home ownership. And I believe they can do even more to help residents of rural areas and tribal lands, many of whom are unbanked or underbanked. As noted in my testimony, one of my top priorities as an NCUA Board Member, if confirmed, would be to ensure that the NCUA creates opportunities to promote financial education and financial inclusion. I would work with my fellow Board Members and agency staff, particularly in the NCUA's Office of Credit Union Resources and Expansion (CURE), to explore all avenues within the NCUA's authority to increase access for unbanked and underbanked individuals to credit union products and services, including building upon the NCUA's already impressive financial literacy efforts. Moreover, I would leverage my experience as a former Associate Administrator of the Rural Housing Service at the U.S. Department of Agriculture, where I helped administer a \$43 billion loan portfolio of over 400,000 homeowners, to seek opportunities to connect credit unions and their members in rural areas to existing public sector lending programs.

In addition to working to improve unbanked and underbanked individuals' access to credit union services under the NCUA's current authority, I would also like to work with Congress on legislative changes to the Federal Credit Union Act, such as allowing all Federal credit unions, regardless of charter type, to add underserved areas to their fields of membership. Doing so would allow these institutions to offer financial services to those with no or limited access to credit union membership.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA
FROM RODNEY HOOD

Q.1. Unlike other Federal financial regulatory agencies, the NCUA is an independent regulator and insurer of credit unions. How will you ensure the agency continues to be independent and vigilant in protecting the safety and soundness of credit unions in Arizona?

A.1. If confirmed, my paramount responsibility as an NCUA Board Member would be to protect the safety and soundness of the credit union system, including credit unions in Arizona, and the health of the National Credit Union Share Insurance Fund. I would work with my fellow Board Members to take actions, including the promulgation of necessary regulations, in furtherance of that shared responsibility. I also would work with fellow financial regulators at both the Federal and State levels to ensure the continued confidence in our Nation's federally insured financial system. Moreover, if confirmed, I would like to continue the agency's current focus on transparency and accountability in all aspects of the NCUA's operations.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN
FROM MARK ANTHONY CALABRIA

Q.1. FHFA Director/Administrative Actions--During your testimony, you stated that the FHFA Director ``can make a number of changes that can try to get the GSEs on stable footing'' without additional legislation.

Please list all changes that you believe the FHFA Director can make, either independently or in cooperation with executive branch agencies, to achieve this goal.

A.1. In the absence of a full legal review, as well as a review of current confidential supervisory information regarding the GSEs, listing ``all'' possible changes is not feasible.

Q.2. If you are confirmed, which of these policies do you intend to pursue?

A.2. Not being privy to confidential supervisory information regarding entities under the supervision of FHFA, I am not in a position to commit to any particular set of policies or actions.

Q.3. PSPAs and Capital--You coauthored a paper which asserts that ``Treasury's and FHFA's actions in the conservatorships of the Companies after the 2012 Third Amendment and the advent of the net worth sweeps violate . . . the express requirements of HERA.'' \1\

\1\ See ``The Conservatorships of Fannie Mae and Freddie Mac: Actions Violate HERA and Established Insolvency Principles'', Michael Krimminger and Mark Calabria, February 9, 2015, available at <https://www.cato.org/publications/working-paper/conservatorships-fannie-mae-freddie-mac-actions-violate-hera-established>.

Just last month, FHFA and Treasury defended the Third Amendment in court. Specifically, FHFA argued that the ``Conservator's execution of the Third Amendment fell squarely within its broad statutory powers and functions, including to ``take over the assets of and operate the [Enterprises],'' ``carry on [their] business,'' ``perform all functions'' of the Enterprises, ``contract'' on their behalf, and ``conduct all business of the [Enterprises]''--all in the manner the Conservator ``determines is in the best interests of the [Enterprises] or the Agency.'' \2\

\\2\ See ``En Banc Supplemental Brief of Defendants-Appellees'',
Federal Housing Finance Agency and Joseph M. Otting, Patrick J.
Collins, et al. v. Steven T. Mnuchin, et al., No. 17-20364.

Do you still believe that the Third Amendment violates
HERA?

A.3. I believe there continue to be significant legal questions
regarding the Third Amendment. My analysis was based solely on
publicly available information. If confirmed, I will examine
FHFA internal legal documents on this issue and consult with
relevant FHFA personnel before reaching any further
conclusions.

Q.4. As FHFA Director, would you continue to defend the actions
of FHFA, including the Third Amendment, in court?

A.4. Any further defense of currently on-going legal matters
would depend upon a review of internal FHFA legal documents,
which I have not been privy to, as well consultation with FHFA
counsel.

Q.5. If you continue to assert that FHFA's actions violate the
law, what actions would you take as FHFA Director to change the
Third Amendment and comply with HERA as you read it? Would
those actions result in FHFA acting as conservator or receiver
of the Enterprises?

A.5. After review of internal FHFA legal documents, and
appropriate legal consultation, if there is a conclusion that
the law has been violated, I would make every effort to bring
FHFA into compliance within the authorities of FHFA.

Q.6. Regardless of your answers above, if confirmed do you
intend to operate the Enterprises in conservatorship or
receivership status prior to any legislative changes to the
Enterprises?

A.6. As the Enterprises are currently in conservatorship, if
confirmed I would expect to continue to operate the Enterprises
in conservatorship until the conditions have been established
that would mandate an exit from conservatorship.

Q.7. During your testimony you emphasized the importance of
capital at the GSEs. But you also noted that, for capital to be
increased above the current \$3 billion retained at each
Enterprise, there would need to be an agreement between
Treasury and FHFA to allow them to retain additional earnings.

As FHFA Director, would you seek to increase the amount of
capital supporting each Enterprise outside of the current
Treasury backstop prior to any legislative reforms?

A.7. Yes, as Section 1102 of HERA places among the Director's
duties the maintenance of adequate capital.

Q.8. If so, what steps would be necessary to build that
capital? Would this require an amendment or other alteration to
the Senior Preferred Stock Purchase Agreements? Would all
capital come from retained earnings?

A.8. An amendment may be required. However, a more precise answer to these questions would require an extensive analysis of the Enterprises' financial condition, as well as future forecasts of such, an exercise which I have not yet performed.

Q.9. If not, why not?

A.9. See answer immediately above.

Q.10. During your testimony, you stated that you ``support the concept of having significantly more capital at the GSEs.''

What amount of capital, either in dollar or percentage terms, would you seek to attain at the GSEs if the GSEs were to rebuild capital in their current state and continue serving the same segments of the market, notwithstanding the existing Third Amendment to the Senior Preferred Stock Purchase Agreements?

A.10. I believe the Director is obligated to try to achieve the minimum capital levels specified in Section 1362 of the 1992 Act, as amended by HERA.

Q.11. What amount of this capital do you believe should be common equity? What amount, if any, of this capital could be achieved, or by what amount could this capital requirement be lowered, in the single-family portfolio with risk transfer to approved counterparties including private mortgage insurers, reinsurers, and the capital markets?

A.11. I believe the composition of GSE capital must be consistent with Sections 1303(4) and 1362 of the 1992 Act, as amended by HERA. Changes to the risk-based capital levels can consider risk transfers.

Q.12. In 2018, FHFA published a Notice of Proposed Rulemaking (NPRM) to establish Enterprise risk-based capital requirements. While proposed capital requirements would not be applicable while the current Senior Preferred Stock Purchase Agreements (PSPAs) are in place, the proposal outlines a framework for regulatory capital for financially healthy Enterprises and establishes the capital structure used to determine whether pricing is appropriate and Enterprise activities are economical under the PSPAs. The comment period for the NPRM closed on November 16, 2018.

Do you believe FHFA's 2018 proposal outlines an appropriate framework for establishing capital requirements at the Enterprises? If not, why not?

A.12. I have not yet read the proposed risk-based capital rule.

Q.13. If confirmed, will you review the comments submitted and continue the current risk-based capital rulemaking; start a new rulemaking; or stop all capital rulemakings for the Enterprises? If you intend to propose a new rule or stop capital rulemakings, please explain how you will approach the regulation of capital at the Enterprises.

A.13. If confirmed, I intend to review the comments and proposed rule and take the appropriate actions as warranted by that review.

Q.14. Credit Risk Transfer--In its regular credit risk transfer

(CRT) reports, FHFA states that it assesses CRT programs and transfers on a set of principles, including that the Enterprises transfer risk when it is ``economically sensible to do so.'' FHFA defines economical CRT transactions as ``transactions in which the cost to the Enterprise for transferring the credit risk does not meaningfully exceed the cost to the Enterprise of self-insuring the credit risk being transferred.'' \3\

\3\ ``Credit Risk Transfer Progress Report: Second Quarter 2018,''
FHFA, available at <https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/CRT-Progress-Report-2Q18.pdf>.

Do you support the principle that all Enterprise credit risk transfer should be economically sensible? If not, why not?

A.14. I have not had the opportunity to review FHFA guidelines in this area. If confirmed, I intend to do so.

Q.15. During an economic downturn, certain types of credit risk transfer could become more expensive and therefore uneconomical. If credit risk transfer became uneconomical, would you support modifying transfer volume to allow only those transfers that remain economical? If not, why not?

A.15. During an economic downturn, I would support reviewing existing credit risk transfers in light of the macroeconomic conditions and taking any actions that are warranted, consistent with the statutory framework.

Q.16. Structure of FHFA--As you noted during your testimony, you worked on the Housing and Economic Recovery Act (HERA), which created the FHFA, and the two housing finance bills that preceded it, S. 1508, the Federal Enterprise Regulatory Reform Act of 2003 and S. 190, the Federal Housing Regulatory Reform Act of 2005. All three pieces of legislation created a regulator for Fannie Mae and Freddie Mac headed by a single director appointed by the President with the advice and consent of the Senate. The 2005 legislation and HERA, which ultimately became law, were clear that the agency director would only be removable for cause.

If confirmed as FHFA Director, will you defend the single director structure of FHFA?

A.16. Yes.

Q.17. Do you believe an independent agency with FHFA's breadth of authority and a single director removable only for cause is constitutional? If not, why did you help draft and why have you consistently defended two laws that you believe to be unconstitutional?

A.17. I am not a lawyer or constitutional scholar so this is not my area of expertise, but my own view is that FHFA's structure is lawful.

Q.18. Independence--In our private meeting and during your testimony, you stated that you removed yourself from all internal discussions about the future of the housing finance system within the Administration upon notice that you would be nominated because it was important ``for maintaining the FHFA

is ``an independent regulator that the President is supposed to have no control over.''

\4\ ``Random Thoughts on Obama's New Mortgage Plan'', Mark A. Calabria, October 25, 2011, available at <https://www.cato.org/blog/random-thoughts-obamas-new-mortgage-plan>.

As a member of the Committee staff that worked on HERA and the creation of FHFA as an independent agency, how does the President's choice of an Acting Director at FHFA who is simultaneously a member of an executive branch agency within a larger agency, the Treasury Department, which is part of the President's Cabinet, preserve that independence? How can a single individual be both an appointee within a Cabinet-level agency and independent of the President?

A.18. I have not examined this legal question.

Q.19. As a member of the Committee staff that created a legislative process for selecting an Acting Director of FHFA from among the three Deputy Directors at FHFA in the event of a vacancy, are you concerned that the President did not follow the process established by Congress?

A.19. I have not examined this legal question.

Q.20. Did you continue meeting with housing finance industry stakeholders or regulated entities in your official capacity as Chief Economist to the Vice President between September 2018 and your nomination hearing? If so, how were you able to convey the stakeholders' concerns and the Administration's views if you had removed yourself from internal deliberations?

A.20. Yes. I did not, in general, convey the substance of those meetings to others and instead urged stakeholders to directly engage with the President's staff or relevant agency personnel.

Q.21. World Class Regulator--During your testimony, you said that you are ``committed to seeing the work of HERA finally completed and turning FHFA into a world-class regulator.''

What does it take to be a world-class regulator? If you do not believe that FHFA is currently a world-class regulator, what changes do you believe are necessary to make it one?

A.21. I believe FHFA should be granted the full range of regulatory authorities granted to most other financial regulators. For instance in the area of capital, bank regulators, especially under Section 38 of the Federal Deposit Insurance Act, have considerable authority which FHFA lacks. It is my intent, if confirmed, to deliver to the Committee a list of authorities held by other regulators which FHFA currently lacks.

Q.22. Are there other parts of HERA that you believe are not complete or fully implemented? What steps do you believe are necessary to see the work of HERA completed?

A.22. See answer above. Additionally a world-class regulator should be viewed as a significant source of research and information on the policy issues under its purview. Currently, for instance, the Federal Reserve System does far more research

and analysis on our mortgage markets and mortgage policy than does FHFA. I would intend to close that gap.

Q.23. Multiple Guarantors--In response to questions during your nomination hearing, you stated that ``one element [you] believe we all share is a greater need for competition.''

Were you referring to competition in the primary market, the secondary market, or both? If it is competition in the secondary market, what factors do you believe secondary market entities should compete on?

A.23. Both. Other than any sort of explicit Government guarantee, which should only be provided by a nonprofit, FDIC style model, all other elements of the secondary market should be open to competition.

Q.24. How would additional competition in the secondary market impact liquidity and pricing in the To-Be-Announced (TBA) market?

A.24. I believe competition would improve liquidity and pricing in the TBA market. As is well established in the economics literature on market structure, competitive markets result, in general, with better pricing for the consumer than monopolistic markets or duopolies.

Q.25. Multifamily--As you stated during your nomination hearing, our country is facing a housing affordability crisis. About a quarter of renters currently spend more than half of their income on housing, and there is no market where a person working 40 hours per week at minimum wage can afford a modest two-bedroom apartment.

Do you believe there is a role for the Enterprises to play in addressing the rental affordability crisis? If so, if confirmed, what changes in the Enterprises' policies or products would you support to address this affordability crisis?

A.25. Yes. Before engaging in any changes in this area, I believe an appropriate review of the effectiveness of those policies and programs would be warranted and that any changes flow from that review.

Q.26. If confirmed, would you support a continued Government guarantee on multifamily loans through the Enterprises? If so, would you support that guarantee being extended to the same or a greater population of loans and products?

A.26. Before lending support to any set of proposals, I would need to engage in considerable review and examination of those policies.

Q.27. The Enterprises' primary multifamily products--Fannie Mae's Delegated Underwriting System (DUS) and Freddie Mac's K Deal Program--differ in their risk-sharing models. Do you believe these products are treated appropriately in FHFA's Enterprise Capital Requirements NPRM?

A.27. I have not read the referenced NPRM.

Q.28. Fair Housing/Fair Lending--There remains an enormous

racial gap in home ownership and wealth, and in many cities redlining still defines the occupancy of neighborhoods. You have written that ``the vast majority, if not all, of the racial home ownership gap is explained by factors such as age, income, family status, wealth and local housing costs,' ' so we should stop trying to ``socially engineer a specific home ownership rate.' ' \5\

\5\ ``Race and Homeownership: Historical Trends'', Mark A. Calabria, January 13, 2011, available at <https://www.cato.org/blog/race-homeownership-historical-trends>.

Do you believe systemic discrimination exists in the housing market today? If not, when do you believe it ended and how?

A.28. Yes.

Q.29. What if any role should FHFA play in addressing the effects of past and present systemic discrimination in today's home ownership and rental housing markets?

A.29. FHFA has an important role in insuring that all entities under its supervision fully comply with our Nation's Fair Housing Laws. FHFA also has a role in making sure that the activities of entities under its supervision do not contribute to further segregation. Additionally FHFA has a role in making sure that efforts to extent home ownership are done in a sustainable manner that do not leave vulnerable families worse off.

Q.30. 30-Year Fixed-Rate Mortgage--In response to a question from Senator Tester, you stated that, if confirmed, at the end of your 5-year term, ``the 30-year fixed-rate mortgage will be widely available.' '

Do you believe that, if confirmed, at the end of your term secondary market financing for the 30-year fixed-rate mortgage will be available in the conventional market to the same or a larger population of borrowers to whom it is available today at the same or lower cost (not including market changes in interest rates)?

A.30. Yes.

Q.31. If not, what changes would you expect to see and what populations of lenders and borrowers are those changes most likely to effect in the primary market?

A.31. N/A.

Q.32. G-Fees--You have written that the GSEs should be guaranteeing a smaller subset of loans--those with higher FICO scores, higher downpayments, and lower loan amounts. \6\ You've also said that the GSEs should be charging more for their guarantee. \7\ During your testimony before the Committee, you clarified that we should look at each loan holistically to evaluate whether or not it is eligible for guarantee.

\6\ See ``If We Decide To Keep Fannie Mae Around . . . ', Mark A. Calabria, February 18, 2015, available at <https://www.cato.org/blog/we-decide-keep-fannie-mae-around>; Testimony before the U.S. House of

Representatives Committee on Financial Services, ``A Legislative Proposal To Protect American Taxpayers and Homeowners by Creating a Sustainable Housing Finance System'', Mark A. Calabria, July 18, 2013, available at <https://www.cato.org/publications/testimony/legislative-proposal-protect-american-taxpayers-homeowners-creating>.

\7\ See Testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, ``The State of the Housing Market'', Mark A. Calabria, March 9, 2011, available at <https://www.cato.org/publications/congressional-testimony/state-housing-market>.

Looking holistically at the loans being guaranteed by the Enterprises today, are there loans being purchased or products being offered at either Enterprise that you would eliminate or increase the price for? If so, please name those products and what if any price changes are necessary.

A.32. Without a full review of the GSEs' current business and loan performance, including examination of confidential supervisory information, I do not have the full set of information necessary to answer this question.

Q.33. If you are confirmed, would you maintain the existing guarantee fee framework, or would you adjust the existing pricing grids, including any loan-level price adjustments, either by product or by borrower characteristic? If you would adjust the pricing grids, please explain any proposed changes.

A.33. Without a full review of the GSEs' current business and loan performance, including examination of confidential supervisory information, I do not have the full set of information necessary to speak to this issue.

Q.34. Have you studied how many borrowers would no longer have access to a loan or would pay more for it if you made the changes noted in the prior two answers?

A.34. No.

Q.35. Fannie Mae and Freddie Mac have historically offered lenders volume-based discounts for loans that will be guaranteed by the Enterprises. These discounts disadvantaged small lenders that could be forced to sell loans to a larger competitor or face higher transaction costs. Under the regulation of FHFA, volume-based discounts have been eliminated.

If confirmed, do you commit to maintain equal guarantee fee pricing for all lenders, regardless of the number of loans they deliver to an Enterprise or the form in which those loans are delivered?

A.35. I am generally supportive of the elimination of volume discounts, but without a full examination of the issue, and without access to any internal FHFA analysis, I believe it would be inappropriate to commit to any particular course of action at this point.

Q.36. If confirmed, do you commit to support equal guarantee fee pricing for all lenders, regardless of the number of loans they deliver to an Enterprise or the form in which those loans are delivered in any future secondary market system?

A.36. Without a full examination of the issue, and without access to any internal FHFA analysis, I believe it would be inappropriate to commit to any particular course of action at this point.

Q.37. Underwriting--If you are confirmed, would you make any changes to the Enterprises' underwriting standards as they exist today? If so, please detail any proposed changes and provide an analysis of the impact that such changes would likely have on prospective mortgagors.

A.37. Without a full review of the GSEs' current business and loan performance, including examination of confidential supervisory information, I do not have the full set of information necessary to answer this question.

Q.38. In response to a question from Senator Cortez Masto regarding your previous suggestion that only borrowers with 700 FICO scores should get loans, you replied that you `` . . . certainly don't think there should be any legal prohibition in the mortgage market against any sort of FICO score.``

Do you believe that FHFA should prohibit the Enterprises from guaranteeing loans or securities containing loans to borrowers with FICO scores below 700?

A.38. No.

Q.39. If not, do you believe that the Enterprises should charge more to guarantee loans with FICO scores below 700 than they currently charge? If so, how much more?

A.39. Without a full review of the GSEs' current business and loan performance, including examination of confidential supervisory information, I do not have the full set of information necessary to answer this question.

Q.40. Affordable Housing Goals--You told the Committee that ``we can get to a spot where we can have risk-taking via affordable housing goals if we can have an appropriate regulatory structure that has capital backing those goals.`` You later told the Committee that you would preserve the affordable housing goals ``within the confines and direction of the statute.``

What is an appropriate regulatory structure for the affordable housing goals? How does an appropriate structure differ from the regulatory structure that exists today?

A.40. There is essentially no capital backing the GSEs today. I believe that is not an appropriate capital or regulatory structure.

Q.41. What is the appropriate capital backing the affordable housing goals? How much of that capital would come from guarantee fees or other charges assessed to the homeowners whose loans were part of the single-family housing goals, and how would those guarantee fees or other charges differ from the charges assessed to homeowners whose loans were not included within the goals?

A.41. Without a full review of the GSEs' current business and loan performance, including examination of confidential

supervisory information, I do not have the full set of information necessary to comment.

Q.42. What parts of the statute would prohibit you from preserving and implementing the affordable housing goals in any given year? How would you determine whether that statute would apply in any quarter or year?

A.42. Section 1131 of HERA. I have not seen a legal opinion as to whether the Section 1131 determination is quarterly or annual or of a different frequency altogether.

Q.43. Duty To Serve Underserved Markets--You testified before the Committee that, if you are confirmed, the GSEs' duty to serve underserved markets would be ``part of the process'' and that the requirements would remain in place ``as long as the existing regulatory structure is there.''

You were very forthcoming with the Committee about the type of secondary market structure you would promote if confirmed. If confirmed, would you similarly support maintaining a statutory duty to serve underserved markets for all secondary market participants regulated by FHFA or any regulator that replaces it?

A.43. Support for any legislative proposal would dependent upon the full details of that proposal.

Q.44. If confirmed, will you support all Enterprise activities in fulfillment of their duty to serve plans as published and amended in 2017 and 2018 while you await legislative changes to the secondary market?

A.44. I have not had the opportunity to review the duty to serve plans published and amended in 2017 and 2018.

Q.45. CSP--The Common Securitization Platform (CSP) has been under development for over 5 years and is scheduled to begin issuing a single security for both Fannie Mae and Freddie Mac mortgage-backed securities in less than 4 months. Market participants and regulators have been working to address outstanding regulatory and practical questions posed by the single security. But you have written that ``[w]asting money on the CSP is another classic Washington boondoggle, fundamentally misdiagnosing the problem and building a new organization to provide a solution that no one in the market asked for.''

\8\ ``Can the Private Market Return to Home Lending?''', Ike Brannon and Mark A. Calabria, July 14, 2016, available at <https://www.cato.org/publications/commentary/bna-insights-can-private-market-return-home-lending>.

If confirmed, do you intend to finalize the rulemaking for the single security, and begin issuance of a single security in June 2019?

A.45. Assuming that issuance is feasible and practicable at that point, then yes, but that decision would also be subject to a review of the progress to date.

Q.46. What impact, if any, do you believe a single security will have on the size and liquidity of the secondary market?

A.46. I understand the intent is to have a more standardized secondary market that is larger and with more liquidity.

Q.47. If confirmed, do you intend to continue developing the CSP? Do you expect the CSP to have additional functionalities beyond its current role in the issuance of a single security in the coming years? If so, what functionalities do you expect that the CSP will build?

A.47. I have no expectations as to additional functionalities, but am open to the possibility of such.

Q.48. CEOs--Both Fannie Mae and Freddie Mac are in the process of selecting new Chief Executive Officers (CEOs). In its capacity as regulator, FHFA is responsible for overseeing Enterprise compliance with 12 U.S.C. 4520, ``Minority and women inclusion; diversity requirements'' and its implementing regulations. Furthermore, as conservator, FHFA succeeds to ``all rights, titles, powers, and privileges of the regulated entity, and of any stockholder, officer, or director of such regulated entity.'' \9\ Both as regulator and conservator, FHFA has substantial influence over the selection process for and hiring of senior Enterprise leadership.

\9\ 12 U.S.C. 4617(b)(2)(B)(i).

If confirmed, will you commit to ensure that a diverse set of candidates are considered to fill both CEO vacancies and any other future leadership vacancies at the Enterprises, the Federal Home Loan Banks, and FHFA during your tenure?

A.48. Yes.

Q.49. FSOC--If confirmed as FHFA Director, you will also serve as a voting member of the Financial Stability Oversight Council (FSOC), which is responsible for identifying risks to the financial stability of the United States; promoting market discipline; and responding to emerging risks to the stability of the United States' financial system.

What do you see as the current threats to U.S. financial stability and what are the emerging risks? What steps do you believe FSOC should take to address these risks?

A.49. Property markets, over any sufficient time horizon, are almost always financial stability concerns and should be monitored constantly. The slowing global economy, for instance any adverse impact from Brexit, needs to be monitored. Given that our financial markets and institutions will always face risks, I believe the best approach is to make sure that those institutions are well-capitalized, well-regulated, and well-managed. The continued normalization of interest rates and its impact on financial institutions should also be closely monitored.

Q.50. In your written testimony, you said that your first question when deciding what actions to take as FHFA Director would be ``what does the statute say?'' Would that approach be the same as a member of FSOC?

A.50. Yes.

Q.51. Do you believe that FSOC is currently fulfilling all of its statutory requirements? If not, which requirements are not fulfilled and what steps would you take to fulfill all requirements?

A.51. My impression is yes, but I intend to more closely examine this issue if confirmed.

RESPONSES TO WRITTEN QUESTIONS OF SENATORS
BROWN AND REED FROM MARK ANTHONY CALABRIA

Q.1. Housing Trust Fund/Capital Magnet Fund--During your nomination hearing, you stated that there is a ``mechanical trigger'' that requires or bars the transmission of Enterprise funds to the Housing Trust Fund (HTF) and Capital Magnet Fund (CMF).

What, specifically, is the mechanical trigger that would lead the FHFA to bar transmission of funds from the Enterprises to the HTF and CMF?

A.1. The trigger mechanism is detailed in Section 1131 of HERA, codified in 12 U.S.C. 4567.

Q.1. What changes in the Enterprises' status, including changes to the Senior Preferred Stock Purchase Agreements, the Enterprises' capital restoration plan, or the Enterprises' status in conservatorship or receivership, would bar annual transmission of funds to the HTF and CMF?

A.1. Only those changes having the impacts detailed in Section 1131 of HERA.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SCOTT
FROM MARK ANTHONY CALABRIA

Q.1. Last Congress, this Committee moved historic bipartisan legislation. In particular, S. 2155 included my language to make it easier for the banking underserved to gain access to credit. Sec. 310 is designed to increase competition and innovation for credit scoring, with the goal of allowing lenders the option of choosing from among multiple validated and approved scoring models when originating mortgage loans. There is currently only one credit scoring model permitted in the housing finance space.

I am concerned that the proposed rulemaking, released under prior Director Watt, hinders the opportunity for robust competition that this legislation intends to generate. Sec. 310's Congressional intent is to ensure innovation that expands the options available to lenders so that Americans from all backgrounds have more access to credit and are able to reach the ``American dream''. I am concerned the proposed rulemaking does not fulfill that.

Dr. Calabria, I would like to take this opportunity to follow up with you on your appearance before the Senate Banking Committee regarding your nomination to be Director of the Federal Housing Finance Agency. I appreciated your comments and

commitment to increase competition in the housing finance sector.

Please answer the following with specificity:

If confirmed, will you commit to ensuring and prioritizing that the proposed rulemaking of Sec. 310 follows Congressional intent?

A.1. Yes.

Q.2. FHFA informed some Members of this Committee in July of 2018 that it would be difficult to fulfill the statutory timeline for full implementation of Sec. 310 as passed by Congress and as signed into law by the President. Will you commit to doing all in your power to accomplish complete implementation of Sec. 310 as required by statute or as soon thereafter as possible?

A.2. Yes.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS
FROM MARK ANTHONY CALABRIA

Q.1. I understand that one plan under consideration for GSE reform is recap and release. In essence this entails allowing Fannie and Freddie to build a capital buffer back up and then releasing them from conservatorship. However, I am concerned that recap and release--without additional reforms--would take us back to right where we started precrisis. What are the most important reforms that you believe need to be made to the GSEs before they're released from conservatorship?

A.1. I share your concerns and believe a simple ``recap and release'' that goes back to the preconservatorship model would be a mistake. Foremost the GSEs require significantly higher capital than their preconservatorship levels. It would also be preferable for Congress to open up the model to competition, allowing the regulator to charter new entrants. Improving the resolution framework to allow for an orderly reorganization or liquidation of a failing GSE is also needed.

Q.2. Following our exchange during the Banking Committee's hearing, it's clear we both agree about the importance of private capital in the mortgage market. Since FHFA was created it has used a number of pilot programs, such as the IMAGIN program, to attract private capital to the secondary market and reduce risks borne by the American taxpayer. If confirmed as Director, will you continue to find ways to adopt policies that reduce risks to the American taxpayer and lower costs for borrowers?

A.2. Yes, as the GSEs are not currently building sufficient capital on their own, I believe it is critical that FHFA continue to examine and pursue other alternatives for transferring that risk to other market participants who do maintain sufficient capital.

Q.3. From a good governance standpoint, I am concerned that in some instances the GSEs have also used pilot programs as a means to circumvent the normal Federal notice and comment

process. This has created inappropriate competition with the private market in certain circumstances. Do you intend to use the standard Administrative Procedures Act process to help promote transparency at FHFA?

A.3. I share the concerns regarding previous practices in the areas of pilot and new programs at the GSEs. I am committed to increasing the transparency of that process and minimizing any adverse impact on competition.

Q.4. I would like to better understand your views on the Fannie and Freddie duopoly, particularly while they've been in conservatorship, and the impact on purely private players who don't have the implicit Government guarantee. Has the continued GSE conservatorship perpetuated a Fannie and Freddie duopoly in the housing market? And should the GSEs remain focused on their primary mission, which is providing liquidity to the secondary market?

A.4. Ultimately I believe Congress should open the GSEs' charters to competition. I do believe that the current conservatorship has further entrenched the GSEs and reduced competition in the secondary mortgage market. Part of this reduced competition has been the result of exempting the GSEs from rules that apply to other market participants. I believe the GSEs and other financial institutions should, to the greatest degree possible, operate on a level regulatory playing field. I share the concerns that the GSEs could leverage their market power to vertically integrate into other segments of the mortgage market. Accordingly I believe the GSEs should remain focused on their primary mission, providing liquidity to the secondary mortgage market.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TILLIS
FROM MARK ANTHONY CALABRIA

Q.1. Former Director Mel Watt issued a proposed rule on enterprise capital as applied to multifamily housing capital standards. The proposed rule would require approximately three-and-a-half times the credit risk capital that single-family homes required during such times of stress, even though single family losses were demonstrably higher during the last recession. The credit performance of the GSE book of multifamily loans dramatically outperformed single family.

Can you commit that any postconservator capital standard or in-conservatorship guidelines that you may be in charge of implementing will be reflective of the historical performance of that asset class? Will such standards be based on transparent, real data, and risk-based pricing and analysis?

A.1. While I have not had an opportunity to read the proposed rule, I do strongly believe that any risk-based capital standard should incorporate historical loan performance data and be based on transparent, real data as well as risk-based pricing and analysis.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN

Q.1. Communities around the country, including in my State, are experiencing a shortage of buildable lots and homes. In NAHB surveys, two-thirds of builders currently report a low or very-low supply of lots. This lack of supply is driving up prices and impacting housing affordability, especially for entry level and first-time home buyers. One way to help fix this problem is to ensure an adequate pipeline of acquisition, development, and construction financing for land developers and builders.

What role do you see Fannie Mae and Freddie Mac having to solve barriers for housing supply, such as through construction loans and other financing for builders?

A.1. Lack of supply is, in my opinion, the number one obstacle to more affordable housing in our Nation. The decline in the number of small banks since the passage of Dodd-Frank has placed a particular drag on the availability of acquisition, development and construction (ADC) lending. I believe the GSEs can and should play a constructive role in facilitating ADC lending, especially among smaller lenders. If confirmed, I intend to review the GSEs' activities in this area and make any regulatory changes warranted.

Q.2. Our Nation's residential home builders rely on acquisition, development, and construction (AD&C) lending to provide the capital necessary to meet the growing needs of the Nation's housing market. Small builders, who construct approximately 80 percent of all new housing in America each year, don't have access to Wall Street financing, and thus must rely on community banks to provide this much-needed liquidity as they tend to understand local housing markets better than larger lenders. However, community banks have not been able to meet current construction financing needs. While the stock of outstanding home building construction loans has grown by 95 percent, an increase of \$38 billion, since the first quarter of 2013, lending remains much reduced from years past. In fact the current stock of existing residential AD&C loans now stands 61 percent lower than the peak level of residential construction lending of \$203.8 billion reached during the first quarter of 2008. Clearly more needs to be done to encourage community bank lending and facilitate the flow of AD&C financing.

Given the damage to both home builders and community banks during the economic downturn which has resulted in limited AD&C liquidity, how would a properly structured Government guarantee for AD&C loans help make financing for builders more consistently available and support our Nation's builders and community banks during future economic downturns?

A.2. The financial crisis, as well as Dodd-Frank, have been accompanied by a significant reduction in the number of community banks, as well as a reduction in their activity. I believe, as expressed in S. 2155 passed last Congress, that community bank relief should remain an important and continued focus for Congress. I am committed to examining a number of options for increasing community bank participation with the GSEs, and insuring that such is done in a safe and sound manner.

Q.3. It appears to be a direct conflict of interest for the same people who are setting the private mortgage insurers'

capital and operational standards to also be developing a program that will allow the GSEs to essentially self-insure--or at a minimum, to set up structures that will have less players, transparency, and stability through cycles--that amounts to what the GSEs perceive as an additional market advantage. Do you agree?

A.3. I believe private mortgage insurers have an important role to play in our mortgage markets. I have not had the opportunity to fully examine FHFA and the GSEs' activities in this area, but intend to examine and evaluate the impact of the GSEs on competition in the mortgage insurance area.

Q.4. I am troubled by the possibility of the GSEs using inconsistent standards--applying one approach to an industry or company and another in the same area of activity--for self-benefit. This behavior would unlikely be tolerated by Federal bank regulators.

How will you enforce fair standards and limit conflicts of interest by the GSEs?

A.4. I feel very strongly that both FHFA and the GSEs have an obligation to treat all market participants fairly and consistently, and those activities should parallel those of other Federal financial regulators and entities as closely as practicable. I would also view addressing conflicts of interest and failures of internal controls at the GSEs as one of my highest priorities.

Q.5. As Director, how would you consider the GSEs' Charters when deciding whether to authorize a pilot--i.e., is any activity permitted based on a colorable reading of the Charters? Or is there an effort to ensure the GSEs are responding appropriately to other market stakeholders?

A.5. Foremost would be a consideration of if the activity is permitted by the Charters. If such activity is permitted, the second question is whether such activity is consistent with safety and soundness, as well as the overall mission of the GSEs. In any determination, I would consult with other stakeholders and carefully weigh the competitive aspects of any new activities or programs.

Q.6. Would you consult with other Federal or State regulators in order to assess regulatory or market effects, including with Treasury on the financial effects of pilot activity?

A.6. Yes.

Q.7. Could a new Director eliminate the pilot approach and terminate all existing pilots? If the effect would be material, would this warrant additional disclosure, oversight, and participation by market stakeholders in the piloting process?

A.7. I am not aware of the correct legal interpretation in terms of terminating existing pilots. If confirmed, I would consult with FHFA's General Counsel on this issue. Whatever actions taken in this area would be done in a transparent manner, seeking input from relevant stakeholders.

Q.8. In the last year, the issue of pilot programs initiated by

Fannie Mae or Freddie Mac have raised concerns. A January 2019 GAO report said these pilot programs widen the scope of activities of the companies and, ``allow them to become more dominant by potentially growing their role beyond the secondary market and into the primary market.'' I have concerns about the impact these pilots potentially have on fair and free competition. The secretive nature of these pilots can have the effect of unfairly disrupting the market, especially when only one or two companies participate and therefore functionally get a leg up on the market.

What steps can FHFA take to ensure pilots don't unfairly advantage one company in the market?

A.8. FHFA can first conduct an economic analysis looking at potential competitive market effects of new programs. Second, FHFA, can, to the extent practicable and consistent with HERA, encourage the GSEs to begin any pilot programs with participation by a reasonable number of companies.

Q.9. How will you enforce fair standards and limit conflicts of interest by the GSEs?

A.9. By fully reviewing the current examination procedures and, if warranted, increasing the amount of examination time devoted to enforcing fair standards and conflicts of interest. If warranted, I would consider hiring additional FHFA staff to specifically monitor these specific issues.

Q.10. That same GAO report said, ``According to FHFA, the enterprises' boards of directors oversee day-to-day operations, but certain matters are subject to FHFA review and approval. For example, FHFA officials told us that FHFA reviews and approves some pilot programs.''

What criteria does FHFA use to determine which pilot programs it should review and approve and which pilot programs FHFA should not review or approve?

A.10. As I have not been at FHFA, I am not familiar with the internal criteria used. If confirmed, I intend to examine and review this criteria.

Q.11. What oversight does FHFA conduct of the GSEs when it comes to pilots? Do FHFA experts and economists help design the metrics and criteria for determining success?

A.11. As I have not been at FHFA, I am not familiar with the internal oversight currently conducted on pilot programs. If confirmed, I intend to examine and review these oversight efforts.

Q.12. A September 2018 White Paper by FHFA's Office of the Inspector General said ``FHFA does not consider the IMAGIN pilot program to constitute primary market activity because Freddie Mac is not originating loans under this pilot program.''

Short of originating loans, what activities are outside the GSEs' charters?

A.12. I have not conducted a legal review of this question, nor am I privy to any internal FHFA review of this question. I do, however, believe that FHFA should, if it has not done so

already, examine this question. It is fully my intent, if confirmed, to see that the GSEs operate fully within their charters.

Q.13. Each year the FHFA publishes a conservatorship scorecard. This scorecard is supposed to reflect the metrics that FHFA uses to review proposals from the GSEs in a year. It makes sense that as conservator, FHFA would direct the GSEs to only consider pilots that have a strong link to one of those items on the score card, with pilots on mortgage insurance, single family rentals, and appraisal data.

Is it safe to assume that we won't see a pilot on products that are outside the score card items, like title insurance or real estate brokerages?

A.13. As a general approach, I believe that new activities, products or programs done within a conservatorship must be consistent with the objectives of the conservatorship.

Q.14. I've worked my colleagues on both sides of the aisle to reform our broken housing finance system. We came close in 2014, when we passed a bipartisan product out of this Committee, but Harry Reid never moved our bill. While we are not giving up in Congress, the FHFA no doubt will play a large role in housing finance reform and there are a number of Administrative actions that can be taken to help or hurt taxpayers, lenders, consumers, etc. Frankly, a lot of time and attention of the GSE reform debate focuses on the single family piece of the business, but as someone who cares a great deal about renters too, I am concerned about how recent actions taken by the FHFA under the leadership of Mel Watt could impact affordable housing and workforce housing. In fact, the FHFA has considered a rule that affects multifamily housing finance liquidity.

I know you can't comment on the rule, but can you commit to the Committee that you will not do anything that will directly increase the cost to millions of renters of multifamily housing?

A.14. It is not my intent to increase the cost of rental housing. If confirmed, every reasonable effort will be made to consider any direct impact on rental costs.

Q.15. Securitization has been crucial in transitioning billions of dollars in credit risk away from the American taxpayer through the GSEs' CRT (credit risk transfer) program. Securitization can play a critical complimentary role in any reformed housing finance system by expanding private credit's role via private label MBS while the GSE footprint shrinks. With this in mind, how will you encourage the return of a healthy and responsible securitization market if confirmed as Director of the FHFA?

A.15. I believe FHFA's Director can play an important role in encouraging a healthy, responsible and competitive secondary mortgage market. Foremost, if confirmed, I would work with my fellow regulators on FSOC to address broader issues related to securitization to help improve the functioning of the securitized mortgage market. Creating a level and transparent playing field is essential in this area, especially in terms of gaining investor confidence. I would also devote considerable

time and attention to first listening to the concerns of stakeholders in securitization and working to address obstacles to responsible, private label securitization.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED
FROM MARK ANTHONY CALABRIA

Q.1. If confirmed, you'll have immense authority over our housing policy and effectively, the homes and lives of many Americans. You have said that the Housing and Economic Recovery Act is being violated, so what would you do about it if you are confirmed? Would you continue Mr. DeMarco's and Mr. Watt's policy? Would you put the Enterprises into conservatorship? Or would you put the Enterprises into receivership? Could you please provide your economic analysis to assess the likely impact of any of these choices on our housing markets, particularly mortgage rates and housing prices?

A.1. My previous writings in relation to HERA's Section 1145 are based solely upon publicly available data and analysis. As I have not been privy to any internal FHFA analysis on these questions, my first action, in regard to this area, would be to review any internal work done on this question. I fully recognize that regulatory actions can often look different on the ``outside'' than on the inside of a regulator. My writings on this area are also focused upon decisions made primarily in the fall of 2008 and immediately thereafter. As I am not privy to any confidential supervisory information regarding entities regulated by FHFA, any actions taken would have to be based upon current supervisory information. If confirmed, I would consult such information.

RESPONSES TO WRITTEN QUESTIONS OF
SENATOR MENENDEZ FROM MARK ANTHONY CALABRIA

Q.1. As conservator, in which role FHFA succeeds to ``all rights, titles, powers, and privileges of the regulated entity, and of any stockholder, officer, or director of such regulated entity,''

\\1\ 12 U.S.C. 4617(b)(2)(A)(i).

Do you have the authority to reduce, not increase, or otherwise alter the maximum loan amount of the single-family loans that either Enterprise may guarantee, either in regular or high-cost areas?

A.1. No.

Q.2. If you do have that authority, would you use that authority to reduce, not increase, or otherwise alter the maximum loan amount of the single-family loans that either Enterprise may guarantee, either in regular or high-cost areas?

A.2. N/A.

Q.3. If you do not have that authority, please provide the

legal analysis supporting your conclusion that you do not have that authority. Additionally, please state whether you would reduce or not increase the maximum loan amount that may be guaranteed by an Enterprise if you later found that you had the statutory authority to do so.

A.3. I simply see no statutory basis for exercising said authority. If such authority is granted, I would at that time consider how best to exercise such authority.

Q.4. Please provide analysis on the specific impacts to pricing and mortgage rates in New Jersey if loan limits were to be reduced to: (a) precrisis levels (\$417,000); and (b) \$200,000. Additionally please provide estimates on what this volume reduction would mean for pricing and mortgage rates nationally.

A.4. The following analysis is based upon the United States Census Bureau's American Community Survey, which reports a median home value for the State of New Jersey of \$334,900. For select urban areas in New Jersey, the current loan limit is \$726,525, for the remainder of the state the loan limit is currently \$484,350.

My estimate is that the current loan limits cover approximately 90 percent of the owner occupied homes in New Jersey. Returning to the precrisis conforming loan limit of \$417,000 would cover approximately two-thirds of owner-occupied homes in New Jersey. A loan limit of \$200,000 would cover approximately a third of owner-occupied homes in New Jersey.

Since mid-2013, mortgage rates on jumbo loans have been below that of GSE conforming loans by an average of 33 basis points. \2\ Adjusting for differences in credit quality and other relevant characteristics still leaves mortgage rates on jumbo non-GSE loans below that of GSE conforming loans by an average of 5 basis points. \3\

\2\ <https://www.corelogic.com/blog/2018/08/why-are-jumbo-loans-cheaper-than-conforming-loans.aspx>

\3\ <https://www.corelogic.com/blog/2018/10/jumbo-conforming-spread-risk-location-scale-economies-affect-rate.aspx>

Q.5. Do you have plans to take other steps to reduce loan volume at the Enterprises, whether through pricing, limiting

certain loan products, and reducing the credit box?

A.5. Without a full review of the GSEs' current business and loan performance, including examination of confidential supervisory information, I do not have the full set of information necessary to make this decision.

Q.6. In the context of changes to loan limits or other restrictions to the Enterprises' footprint, what do you consider to be small or incremental?

A.6. Changes that do not significantly shift the overall contours of the market and that are easily reversed.

Q.7. What specific economic evidence do have that small or incremental changes will not still cause significant market disruption?

A.7. While the future is inherently unknowable, I believe there is high degree of certainty that if the current status quo persists, there will be significant costs to the taxpayer, investors, and borrowers during the next housing downturn. We have seen repeated instances of changes to the GSE market shares and have some sense of the modest impact these have had on the market place.

Q.8. What specific data or market impacts would cause you to reevaluate and reverse course of any changes?

A.8. Disruptions in the agency debt market, significant changes in the Treasury-mortgage spread, significant swings in home buying and selling activity. There are a large number of macroeconomic indicators for our housing and mortgage markets.

Q.9. Will you commit that you will not use pricing schemes that unfairly penalize larger cost loans that still fall within the conforming loan limits?

A.9. Yes.

Q.10. Do you believe that a Government guarantee is critical to the liquidity and stability of the TBA market? If so, how would you balance the stability of the TBA market with any planned reductions to the role of the Government in the housing market overall?

A.10. I believe Government guarantees, particularly FHA and VA, have historically provided the basis for broad market acceptance of the secondary mortgage market.

Q.11. HUD-approved housing counseling agencies work primarily with low- and moderate-income households, preparing homebuyers for responsible home ownership and helping financially challenged homeowners work with their mortgage servicers to get loan workouts or other solutions. Recent studies show positive outcomes by families who receive housing counseling, including significantly lower default rates and more successful loan modifications.

Given the effectiveness of housing counseling in helping low- and moderate-income households to help themselves to responsibly achieve the dream of home ownership, how would you utilize housing counseling programs to strengthen GSE lending and servicing? Additionally, how would you recommend funding the provision of housing counseling services?

A.11. I believe quality housing counseling programs can provide significant benefits to borrowers, while if structured appropriately, also reducing defaults. I believe lenders should be encouraged to fund additional counseling activities.

Q.12. What is your opinion of FHFA's notice of proposed rulemaking to implement Section 310 of S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act?

A.12. I have not had an opportunity to read the proposed rulemaking.

Q.13. Over the last few decades, the Enterprises have been critical providers of multifamily housing financing across all

income levels. What role do you see the agencies playing in the multifamily space going forward?

A.13. The Enterprises' multifamily business performed significantly better than its single family business during the crisis and was not the source of the Enterprises' failures. Accordingly the multifamily business can provide some important lessons for the single family business. While reform debates have focused largely on the single family business, I do believe it is critical for Congress to appropriately examine the future of the GSEs' role in the multifamily mortgage market.

Q.14. You have advocated for requiring minimum downpayments of 5 percent or more and minimum FICO scores of 700. Please provide detailed analysis of how such restrictions would impact pricing and accessibility of single-family mortgage loans both nationally, and in New Jersey.

A.14. As pricing is related to default, any efforts that increase FICO and downpayments would reduce the mortgage pricing. The existing economic literature suggests that such would not impact home ownership rates, but would delay the timing of first home purchase.

Q.15. What evidence do you have that these borrowers will find affordable home ownership options in the private market?

A.15. I believe we can appropriately manage the risk of the GSEs without adversely impacting home ownership options.

Q.16. If these borrowers cannot access home ownership and join the population of renters, where are we going to get the needed rental stock when we are already in the midst of an affordable housing crisis?

A.16. We are indeed facing an affordable housing crisis and I believe local and State governments need to reform their land use policies so that more affordable housing can be built.

Q.17. What are the effects on rents if we add a large number of new households, in other words demand, to the rental market?

A.17. One cannot determine the impact of demand shifts on prices without an analysis of supply shifts.

Q.18. Do you have a plan to develop new rental housing?

A.18. Yes, we must reform the land use policies (often exclusionary zoning) that make it so difficult to supply housing in too much of our Nation.

Q.19. Will you commit to preserving lower downpayment programs at the Enterprises that make home ownership accessible to underserved communities?

A.19. Yes, to the extent that such are done in a sustainable, responsible manner.

Q.20. In our individual meeting, you said it is your view that you would not have statutory authority to suspend contributions

to the housing trust fund and capital magnet fund.

Does that mean that former FHFA Director DeMarco was in violation of statute while he had temporarily suspended contributions to the funds?

A.20. No, as there are conditions under Section 1131 where the contributions are required to be suspended. I have not seen evidence that those conditions were not met at the time that Director DeMarco acted.

Q.21. You have justified eliminating the 30-year fixed-rate mortgage based on the presence of such a rate in the private market for jumbo loans.

If there was no Government-backed 30-year fixed-rate mortgage, how much more would it cost for borrowers to purchase a home with a 30-year fixed-rate mortgage?

A.21. I have not called for eliminating the 30-year fixed-rate mortgage. Jumbo nonagency loan rates are currently below those for agency-backed loans.

Q.22. Who might no longer have access to a 30-year product?

A.22. I believe we can maintain access to the 30-year fixed-rate mortgage and still have a well-capitalized, well-regulated mortgage finance system.

Q.23. In place of the 30-year fixed-rate mortgage, you have suggested that borrowers should instead move to adjustable rate mortgages because they would ``likely see a reduction in their mortgage rate'' during a recession. \4\ But of course, the opposite is also true, in a time of growth, borrowers could see their rates rise dramatically. And with home prices increasing at twice the rate of income growth, borrowers with adjustable rate mortgages could be in serious trouble.

\4\ <https://www.cato.org/blog/arms-automatic-stabilizers>

How does your proposal work in the current economic environment? Please be detailed in your answer.

A.23. Yes, any truly countercyclical policy is designed to reduce both busts and booms. And of course the interest rate risk inherent in long term fixed mortgages does not disappear in the securitization process. I have simply called for a more transparent accounting of the actual risks in our financial system so as to better manage those risks and minimize both the severity and frequency of future crises.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER
FROM MARK ANTHONY CALABRIA

Q.1. In your testimony, you said that if confirmed you would look to do what the law requires you to do. Is it true that in an Urban Institute article in 2016, and elsewhere, you advocated for requiring the GSEs to hold the same capital as the largest banks, saying that the FHFA Director is REQUIRED to increase GSE capital to match that held by the largest banks as a result of the Temporary Payroll Tax Cut Continuation Act of

2011?

A.1. I have not, to the best of my knowledge, claimed that FHFA is currently required to increase GSE capital to bank like levels. My Urban Institute article can be found here: <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-finance-reform-incubator/mark-calabria-coming-full-circle-mortgage-finance>.

Q.2. While the GSEs are not permitted to build significant amounts of capital under the PSPAs, would you support requiring the GSEs to hold bank-like capital were the PSPAs not an obstacle?

A.2. Yes, ultimately I would recommend Congress give the regulator authorities over capital that mirror those of Section 38 of the Federal Deposit Insurance Act.

Q.3. The GSEs are currently run as if they were required to hold between 2–2.5 percent capital. Even if the PSPAs are not amended, would you support requiring the GSEs to price mortgage loans as if they were required to hold bank-like capital so as to equalize the playing field between GSEs and banks?

A.3. To the extent that such a pricing change was consistent with and required by law, then yes.

Q.4. Do you believe the FHFA director currently has the ability to reduce product availability by removing the GSEs' ability to guarantee investor loans, loans for second homes, and cash-out refinancing?

Would you support those product limitations?

A.4. I have not yet seen a legal analysis of this question. Before making any conclusions I would need to consult FHFA's legal staff and any other appropriate parties.

Q.5. Do you believe risk-based capital should be the binding limitation on the GSEs, or should a leverage ratio be binding?

A.5. Historically the leverage ratio has been the only binding capital constraint on the GSEs. The extent to which a risk-based or leverage standard should bind would depend upon the particular parameters of those standards. So short answer is: It depends. That said, I believe that, even with a well-constructed risk-based capital rule, given the limitations and historical performance of risk-based capital standards, there should continue to be a leverage ratio for all large federally chartered financial institutions, including the GSEs.

Q.6. Should each borrower have to pay the full cost of capital required to guarantee their mortgage based on the perceived riskiness of that mortgage?

A.6. No, not necessarily.

Q.7. We discussed in our meeting the need for congressional action on comprehensive housing finance reform.

What actions can you take if confirmed as Director to encourage congressional action?

A.7. Foremost, the Director can help to create both a public and Congressional ``sense of urgency'' regarding the need for reform; second, the Director can submit proposals and suggestions to Congress for reform; third, the Director can help to assemble the various stakeholders and push for a reform consensus; and lastly, the Director can create, within the confines of the statute, regulatory changes that lay the ground work for reform, such as the single security platform.

Q.8. Even if this Congress were to adopt legislation supporting the principles you have outlined, the transition to that future state could take a number of years. No matter which congressional plan is adopted, nearly all market structures rely on a central utility that builds on the work done to date to create a common security, such as selling the GSEs' automatic underwriting system and data to the utility and giving the utility responsibility for master servicing. These actions would reduce the centrality of the GSEs to the housing finance system and begin some of the transition work that would take years and is necessary to a legislative solution to the GSEs. Furthermore it would be in your power as conservator to begin taking these actions to encourage congressional action on reform.

Will you take these steps if confirmed as director?

A.8. Yes, I would, if confirmed, continue in the direction of creating common infrastructure, within the confines of the existing statutory framework.

Q.9. In 2017, the GSEs had a nearly 50 percent market share in multifamily loans. Do you think the GSEs do too much business in the multifamily sector and that the private sector should shoulder a greater loan of multifamily loans?

A.9. At a very general level, yes.

Q.10. The GSEs have exemptions from their multifamily purchase caps if they meet certain affordability requirements in their deals. Do you think that exemption is appropriate? Should it be narrowed?

A.10. I have not closely examined the current exemptions. I would plan to review such exemptions and make any changes deemed necessary. Such changes could include a narrow or a broadening, depending upon the circumstances.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SCHATZ
FROM MARK ANTHONY CALABRIA

Q.1. You have previously written that Federal policy puts too much focus on home ownership--that there is nothing wrong with renting. When we spoke recently about the housing challenges facing Hawaii, you mentioned that, in certain markets, reducing barriers to construction is not enough to spur affordable and workforce multifamily housing construction and more needs to be done.

What steps would you take as Director to increase affordable and workforce housing supply?

A.1. I generally see the primary obstacles to increasing the supply of affordable and workforce housing being driven by lending, labor, and land constraints. For the constraints outside the direct purview of FHFA, such as land use, I would intend to be a public voice for addressing those constraints and bringing additional public attention to the need for additional affordable housing. Within the direct purview of FHFA, I would first improve the evaluation of the existing programs, such as the housing trust fund, the capital magnet fund and the FHLB's affordable housing fund. I believe it is critical that we maximize the impact of these programs. I would also focus on evaluating and reducing barriers to small mortgage lending. Often the hardest mortgages to make are those under \$50,000, yet in some areas, these smaller units provide an important source of affordable housing. I would also research the unique obstacles faced in the mortgage market by micro-units and small homes. I have personally seen a large range of home designs on the Hawaiian Islands, especially some of the smaller units build to house lava evacuees on the Big Island. Given the unique housing needs on the Hawaiian Islands, I would strengthen the relationship between FHFA, the entities under its supervision and the Hawaiian Department of Hawaiian Home Lands.

Q.2. You have written that you do not think HMDA data collection should exist. \1\

\1\ <https://www.cato.org/blog/observations-mortgage-market-2011-hmda-data>

Without HMDA, would anyone have a window into who was being served by the housing market--and who was not?

A.2. I remain concerned that advances in data analysis can enable the combining of HMDA data with publicly available data, such as court house mortgage and property records, so as to ``de-mask'' individual loan applicants, threatening the privacy of those loan applicants and leaving them vulnerable to identity theft. There are a range of options to minimize these risks. One option would be to return to the earlier use of HMDA, where the individual applicant data was solely used for internal enforcement purposes and individual applicant data was not publicly released. In this instance regulators could still release to the public aggregates, even aggregates for individual financial institutions. I take very seriously threats to consumer privacy and would work diligently to best protect consumers from the potential for ``de-masking'' or other forms of hacking. This includes how regulators and supervised entities store confidential data.

Q.3. You have called for mortgage lending to return to the days of loans being originated and held on a bank's balance sheet. You acknowledge that, in the days before securitization, markets were fragmented and it was easier to get loans in some communities than others, yet you believe that local banks can better serve homebuyers who don't fit the traditional credit box. During your confirmation hearing, you stated that you would commit to collecting data on affordable housing and mortgage lending activities at the community level.

How would you gather the data to evaluate whether your position on underserved borrowers is correct in an ``originate

and hold'' model like the one you recommended in 2016?

If we were to return to this model, would not it be in the Government's best interest to know how and where loans were being made?

A.3. I do believe it is critical for policymakers to receive timely data on the performance of the mortgage market. A number of existing data collections, such as HMDA, are collected whether the loan is securitized or held in portfolio. When HMDA was originally passed, in 1975, securitization was relatively small percentage of the mortgage market. I do believe it is possible for financial regulators to continue to collect mortgage data on loans held in portfolio, and to occasionally publish public aggregates of that data. Researchers at the financial regulators can also conduct statistical analysis of loan and applicant level data in a secure environment.

To clarify my previous writings, I have not called for an end or ban to securitization but rather leveling the regulatory playing field between the ``originate-and-hold'' model and the ``originate-and-sell'' model. Whether a mortgage is held as a whole loan or within a securitized pool, it ultimately rests of some institution's balance sheet. My objective is that whoever's balance sheet the loan ultimately rests on, that there be sufficient capital and an appropriate regulatory structure to manage that risk.

Q.4. In December, FHFA released a proposed rule outlining standards and processes for Fannie and Freddie to use in considering alternative credit scoring models.

The rule would prohibit the GSEs from considering any credit score model developed by a company owned or affiliated with a ``consumer data providers'' such as the credit bureau. I have previously raised concerns with vertical integration and anticompetitive behavior if the GSEs were allowed to use a credit score from a company that is owned or affiliated with consumer data providers.

What is your view of the proposed rule and your position on the importance of independent credit score model providers?

A.4. I have not had an opportunity to read the proposed rule. That said, I am generally familiar with the issue. I do appreciate your concerns about vertical integration, and also concerns that others have raised about relying too heavily on a single credit bureau. Given the central importance of the credit rating process in determining both access to and the pricing of mortgage credit, I plan to carefully review this issue more generally, and more specifically, the proposed rule before FHFA.

Q.5. The President's 2018 and 2019 budgets and rescission request eliminated funding for the Housing Trust Fund and Capital Magnet Fund.

Did you advise the President or any other White House or Office of Management and Budget staff on this cut? What advice did you provide? Would you end the allocation to the funds as Director?

A.5. I was not involved in this particular budget issue. I take the independence of FHFA very seriously, including budgetary issues. Section 1131 of the Housing and Economic Recovery Act of 2008 establishes a mandatory process for determining

contributions to both the Trust Fund and the Capital Magnet Fund, as well as determining any suspensions. It is my intent to comply fully with the mandatory process established in Section 1131, which I do not believe gives the Director the discretion to simply end contributions.

RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM MARK ANTHONY CALABRIA

Q.1. If you are confirmed to this position, you will lead an accomplished staff at the Federal Housing Finance Agency. Their work has stabilized the housing market and our economy. Many families can still sell their homes to families who can afford to buy them.

Name three things that the FHFA has done under Director Mel Watt that you support, will continue and even build on.

A.1. (1) I will continue the recruitment and expansion of career staff hires with a background in financial regulation; (2) I will continue and expand the research and economics function at FHFA; and (3) I will continue and expand the borrower education and financial literacy activities under FHFA.

Q.2. Name three things that you will change at the FHFA if you were to become its new director.

A.2. As I am not currently at FHFA, I will approach the agency with an open mind in terms of changes. With that in mind, my impression is that the agency may not always be perceived as a welcoming and supportive work-place. First, it is my objective for all employees at FHFA to feel free of any harassment or intimidation. Strengthening the core human resources function is a high priority. Second, it is critical for the Director to have a constant sense of the housing and mortgage markets, so I intend to create an economics and statistics function with a direct report to the Director. Third, I believe it is critical, given the affordability crisis facing so much of our Nation, that the Director become a vocal spokesperson for an affordable and vibrant national housing market.

Q.3. Why do you think the FHFA is not a ``world class regulator'' now? What changes will you implement to reach your vision of an FHFA that is a ``world class regulator''?

A.3. Foremost the FHFA lacks statutory authorities, such as that over capital, which other financial regulators possess. It is my intent to submit to Congress a proposed list of statutory changes that would better align FHFA with the regulatory authorities found at other financial regulators.

Q.4. Will you consider yourself an employee of the FHFA and comply with all employee guidance related to appropriate workplace behavior, expense reimbursement, etc.

A.4. Yes.

Q.5. What are your goals for the Office of Minority and Women Inclusion?

A.5. Foremost to make FHFA an inclusive and safe workplace. Second to see that qualified applicants from all backgrounds are considered for any open career positions and that FHFA, in its recruitment efforts, reach out to historically underrepresented communities.

Q.6. At your nomination hearing, we discussed ``sustainable home ownership.'' You stated that facilitating sustainable home ownership is ``looking at the factors that don't end up . . . so they don't just funnel through, that they get a mortgage, they're out of there in 6 months, a year, 2 years . . . you know if we want to put a number on it, I think the ability to sustain the mortgage without defaulting, obviously there are going to be life events that hit you, but if we're seeing these mortgages, and we saw a lot of early payment defaults during the crisis. If a mortgage goes bad in 3, 5, 6 months, there's something wrong with that, whether it's the lender, the borrower, or somebody.''

In your opinion, what factors contribute to sustainable home ownership? Please note which elements you think must meet minimal guidelines such as a certain FICO score, a percent of downpayment/minimum loan-to-value ratio, a maximum debt-to-income ratio, mortgage loan terms, quality housing counseling, etc., for single-family loans to qualify for purchase by Fannie Mae and Freddie Mac. If you think flexibility is warranted within some conditions, please note those conditions.

A.6. Recognizing the difficulties that have been experienced with implementation of the Qualified Mortgage rule, with its ``hard lines'', I believe flexibility is warranted. That flexibility should avoid undue risk-laying, so that compensating differentials can be factored into underwriting decisions. Other than those explicitly required in statute, it is not my intent to draw hard lines around any one specific underwriting criteria. That said, FHFA has an important role in monitoring loan performance. Practices that result in excessive delinquencies would be examined, both from a prudential standpoint but also from a sustainable home ownership perspective.

Q.7. Do you believe the FHFA plays a role in facilitating sustainable home ownership? If so, what recommendations would you implement?

A.7. Yes, as unsustainable home ownership is a direct threat to the prudential operations of the regulated entities, as well as a threat to a resilient housing market. My first actions would be to conduct a series of stress-tests on the regulated entities. As I do not currently have access to confidential supervisory information regarding the regulated entities, I cannot yet know what specific reforms I might seek to implement.

Q.8. If confirmed, what are your plans to change the Government's role in the housing finance system?

A.8. The most important elements of our housing finance system in need of change, such as greater competition, can only be achieved by Congress. My most immediate plan is to work with Congress to build the necessary momentum for reform. The FHFA

Director's ability to change the Government's role in housing finance is quite limited within the statutory confines of HERA and the GSE Charter Acts.

Q.9. You have previously argued that the 2008 Financial Crisis was exacerbated by homeowners buying homes with low downpayments, which you argued were unsuitable for sustainable home ownership. \1\ You suggest requiring downpayments of 5 percent, 10 percent or higher. \2\ However, there is data that shows it would take nearly two decades for homebuyers to save up for a 20 percent downpayment. According to the U.S. Mortgage Insurers, it would 19 years for the average family to save up for a 20 percent downpayment. For the typical African American family, it would take 29 years, and for Latino families, it would take 24 years. \3\ A recent study indicated it would two-thirds of millennials at least 20 years to save up for a 20 percent downpayment on a median priced condo in their housing market. Downpayments well below 20 percent and even below 5 percent may be required for many to access home ownership.

\1\ Calabria, Mark A. ``A Fake Financial Fix'', Cato Institute. June 18, 2009. Available at: <https://www.cato.org/publications/commentary/fake-financial-fix>.

\2\ Calabria, Mark A. ``FHA Bailout Is Inevitable, But Taxpayer Pain Is Not'', Cato Institute. January 5, 2013. Available at: <https://www.cato.org/publications/commentary/fha-bailout-inevitable-taxpayer-pain-not>.

\3\ U.S. Mortgage Insurers. ``Mortgage Insurance: Helping Nevada Families Get Into Homes'', U.S.M.I. Accessed February 13, 2019.

Will you consider making any changes to minimum downpayment requirements for loans purchased by the Enterprises or the FHLBanks?

A.9. I have no immediate plans to change downpayment requirements. Any such future changes would have to take place in the context of FHFA's statutory authorities and be directly driven by statutory duties of the Director.

Q.10. If confirmed, will you use your ``bully pulpit'' to urge for higher downpayments? If so, what will you recommend?

A.10. FHFA supports borrower education. It would be my intent to make sure that borrowers are properly educated as to both the rewards and risks from home ownership. Borrowers should be free to make their own decisions, but FHFA does have a role in helping to make sure that those decisions are informed.

Q.11. In your 2012 op-ed, you asked why retirees should accept less of a return from their pension fund investments in mortgage-backed securities in order to help young people buy homes they can afford. \4\ If you are able to implement your vision for bigger downpayments, higher interest rates and higher FICO scores, it will take decades for the average Latino, African American, and millennial households to buy a home. Especially as more than 1 in 4 Latinos and 1 in 4 African Americans are credit invisible. This decade, 7 of 10 new households are households of color. Next decade, 9 of 10 new households are going to be Hispanic, African American, Native American, or Asian Pacific American.

\4\ Calabria, Mark A. ``Taxpayers Shouldn't Have To Pay for Underwater Mortgages'', Cato Institute. February 6, 2012. Available at: <https://www.cato.org/publications/commentary/taxpayers-shouldnt-have-pay-underwater-mortgages>.

If you change requirements to make it more expensive to buy a home, who do you think will buy the homes of retirees when they want to downsize or move? Investors? Will such purchases be at reduced prices because of a lack of competition as young families will not be able to afford them?

A.11. Consistent with the Director's statutory duties and authorities, I have no interest in making home ownership more expensive, quite the opposite, I would work to make home ownership less expensive.

Q.12. Will you change policies to allow Fannie Mae and Freddie Mac to resume providing financing to investors to purchase homes in bulk through the REO program or something similar?

A.12. I have not examined the current policies in this area in sufficient detail. If such policies were to change, it would only be after a deliberative process.

Q.13. After the Financial Crisis, Nevada had the highest foreclosure rate in the country for nearly 5 years. We had more than 219,000 foreclosures. In Nevada, home values plummeted from \$265,000 in January 2008 to \$122,000 in December 2011--that's a 54 percent drop. In early 2010, 77 percent of homes in Las Vegas held negative equity. In your writings, you refer to homeowners in harsh terms. \5\ In your writings, you were more sympathetic to investors who were going to receive less of a profit than expected than to homeowners experiencing job loss, foreclosure, and bankruptcy. \6\

\5\ Calabria, Mark A. ``Ed DeMarco Deserves a Medal'', Cato Institute. March 13, 2012. Available at: <https://www.cato.org/blog/ed-demarco-deserves-medal>.

\6\ Ibid.

Can you point to any of your publications where you criticized organizations or corporations that also defaulted on their mortgages? For example, did you publish anything about the Mortgage Bankers of America which borrowed \$75 million in 2007 to buy a 10-story headquarters building in Washington, DC? When MBA chose not to make its payments and sold that building for \$41 million, they shorted its lenders. Donald Trump made four trips to bankruptcy court for his casinos leaving lenders in a lurch. Did you write about the Trump's corporation numerous bankruptcies?

A.13. <https://www.cato.org/publications/commentary/big-banks-you-aint-cheating-you-aint-trying>;

<https://www.cato.org/publications/commentary/too-big-fail>;

<https://www.cato.org/publications/commentary/letting-lehman-fail-was-choice-it-was-right-one>;

<https://www.cato.org/publications/commentary/fed-proposal-end-bailouts-falls-short>;

<https://www.cato.org/publications/commentary/are-some-banks-still-too-big-jail>;

<https://www.cato.org/publications/commentary/are-banks-too->

big-jail;

<https://www.cato.org/publications/commentary/get-mortgage-industry-out-taxpayers-pockets>;

Q.14. Numerous economic analysts have found that adjusting the loan terms for borrowers facing a hardship, such as extending the terms, lowering the interest rate, shared appreciation, principal reduction, etc., can be less costly to the investor than foreclosure especially when the forces driving defaults are macroeconomic as they were in Nevada and much of the Nation. Forcing a borrower from a home and then selling that home for one-third or half of the previous value, could be more costly than foreclosure mitigation for some families. Please explain how you differentiate a ``deserving borrower'' who should be offered a modification rather than one who should not? What economic evidence do you rely on to promote more foreclosures instead of mitigation?

A.14. I have supported a number of mitigation tools, for instance praising FHFA's forbearance efforts. In any particular case, the appropriate response will depend on the specific circumstances of the borrower. Accordingly, borrowers in default will need to be evaluated on their current circumstances. I would point to the following as a sample of research that has informed by views:

``Mortgage-Default Research and the Recent Foreclosure Crisis'', Paul Willen and Christopher L. Foote. 2018. Annual Review of Financial Economics 10: 59-100.

``Identifying the Effect of Securitization on Foreclosure and Modification Rates Using Early-Payment Defaults'', Paul Willen with Manuel Adelino and Kris Gerardi. 2014. Journal of Real Estate Finance and Economics 49(3): 352-378.

``Why Don't Lenders Renegotiate More Home Mortgages? Redefaults, Self-Cures and Securitizations'', Paul Willen, Manuel Adelino, and Kris Gerardi. 2013. Journal of Monetary Economics 60(7): 835-853.

``Do Borrower Rights Improve Borrower Outcomes? Evidence From the Foreclosure Process'', Paul Willen, Kris Gerardi, and Lauren Lambie-Hanson. 2013. Journal of Urban Economics 73(1): 1-17.

``Reducing Foreclosures: No Easy Answers'', Paul Willen, Christopher Foote, Kristopher S. Gerardi, and Lorenz Goette. 2009. NBER Macroeconomics Annual 2009 24: 89-138.

``Subprime Mortgages, Foreclosures, and Urban Neighborhoods'', Paul Willen, Kristopher S. Gerardi. 2009. Berkeley Electronic Journal of Economic Analysis and Policy 9(3): 1-37.

``Making Sense of the Subprime Crisis'', Paul Willen, Kristopher S. Gerardi, Andreas Lehnert, and Shane Sherlund. 2008. Brookings Papers on Economic Activity 39(2): 69-145.

``Just the Facts: An Initial Analysis of the Subprime Crisis'', Paul Willen, Christopher Foote, Kristopher S. Gerardi, and Lorenz Goette. 2008. Journal of Housing Economics

17(4): 291-305.

``Negative Equity and Foreclosure: Theory and Evidence'',
Paul Willen, Christopher Foote, and Kristopher S. Gerardi.
2008. Journal of Urban Economics 64(2): 234-245.

Q.15. You have urged an end to judicial foreclosures despite numerous evidence of illegal foreclosure activities such as robo-signing, inadequate review of documents, lenders taking homes from which they lacked title, etc. \7\ How do you protect the rights of homeowners without a judicial foreclosure process?

\7\ Calabria, Mark A. ``Are Courts Dragging Out the Housing Crisis?'' Cato Institute. March 8, 2012. Available at: <https://www.cato.org/blog/are-courts-dragging-out-housing-crisis>.

A.15. I have raised questions as to the costs and benefits of judicial versus administrative foreclosures. No foreclosure system is without trade-offs. My writings have attempted to raise these issues so that policy makers can make more informed judgements regarding these unavoidable trade-offs.

As I state in my citation: ``Now, I am a big believer in respecting contracts, and the existing legal environment is part of the contract, so I'm not advocating that States change their foreclosure process for existing loans. For loans not yet made, however, there appears to me to be the case for at least examining the merits of judicial foreclosure (or even better let borrowers and lenders freely contract to choose their own rules).'' This is not a call for ending judicial foreclosure but rather a call for examining its merits. I believe all public policies should be subject to regular examination.

Q.16. In 2011, you wrote, ``the most important driver of housing demand is income, which is driven by jobs.'' \8\ Yet, the gap between wages and housing costs remain too high. The cost to build a home--even in communities with few zoning restrictions--can be higher than a family can afford. The enactment of the affordable housing goals corresponded with a substantial increase in funding to low- and moderate-income homeowners and multifamily properties.

\8\ Calabria, Mark A. ``Winners, Losers and Government'', Cato Institute. June 2, 2011. Available at: <https://www.cato.org/publications/commentary/winners-losers-government>.

If you are confirmed to lead the Federal Housing Finance Agency, what will you do to help the more than 12 million very low-income families struggling to find a safe home they can afford?

A.16. Please see my response to Senator Brian Schatz.

Q.17. Did you advise the President on his budget proposals to eliminate allocations to the Capital Magnet Fund and Housing Trust Fund in FY2018 and FY2019? Do you agree with the elimination of those funds that were included in the President's budget?

A.17. Please see my response to Senator Brian Schatz.

Q.18. If you are confirmed to lead FHFA, under what circumstances could you defund the Housing Trust Fund (HTF) and the Capital Magnet Fund (CMF)?

A.18. Please see my response to Senator Brian Schatz.

Q.19. Will you support and enforce the duty-to-serve requirements for affordable housing preservation, manufactured housing and rural housing as they are currently? Will you seek any changes to the DTS or HTF or CMF in the existing Fannie and Freddie system? If so, what changes will you pursue? Would you advice changes to the DTS and the Funds in a new approach?

A.19. I will carry out the statue as written. Any potential changes would only be undertaken following careful review and in accordance with all appropriate administrative processes.

Q.20. The GSEs' affordable housing goals changed institutional behavior; the GSEs offer more flexible lending programs; developed partnerships with other agencies and mortgage insurers; funded employer-assisted housing; engaged in special efforts in rural areas, on tribal lands, and for elderly borrowers; made investments in low-income rental housing and State housing finance agency bonds; and have made millions in loan purchases that qualify for the affordable housing goals.

Today, the Enterprises have significant staff dedicated to affordable housing, they have affordable mortgage products and pilot programs (e.g., Home Ready and Home Possible loan products), they conduct significant market research and do outreach to key industry and other stakeholders in LMI and minority neighborhoods in order to facilitate home ownership and mortgage purchases in those communities. This work is driven by the affordable housing goals.

Do you agree that it is important for FHFA to continue to provide assistance to and encourage the GSEs to facilitate financing for affordable housing?

A.20. Yes.

Q.21. Do you seek any changes to the number of staff focused on affordable housing at the Enterprises; do you believe today's level is too low, too high or just about right? Do you seek any changes in the areas of focus?

A.21. I do not currently have an opinion on the appropriate staffing levels. I do, however, see as the Director's responsibility to ensure that staffing levels in all of FHFA's functions are appropriate.

Q.22. Multifamily purchases by the GSEs are currently capped at \$35 billion each, \$70 billion in total. The GSEs combined can buy no more than \$70 in debt backed by multifamily (>5 units) properties. Units that meet certain ``affordable'' requirements are exempt from these caps. This ``excluded category'' section of the market has been where most of the multifamily growth has been recently, with 2017 seeing about \$70 billion in lending in that space alone, in addition to the \$70 billion that was covered by the caps for a total of \$140 billion in lending.

Will you consider raising the multifamily mortgage cap that has been set at \$35 billion per enterprise? Would you consider encouraging more rental housing within or outside of that cap

for families and singles earning low to moderate wages?

A.22. Consistent with the statute, I would consider revisiting the current multifamily portfolio caps and making any appropriate changes. Within any appropriate changes would be an examination of current income targeting, as I do believe it is necessary that we incentivize recourses to be directed at those most in need.

Q.23. Nationwide, nearly 20 million families live in manufactured homes; about 7 percent of the housing stock. The quality of the homes is good but at times, the financing can be predatory. Just recently, Fannie Mae and Freddie Mac were assigned a duty-to-serve manufactured homeowners. They are in the early stages of meeting the financing needs of manufactured homeowners. In Nevada, Fannie Mae estimates it owns approximately 3,500 loans with a little under 1,000 purchased last year.

What changes would you make to the GSEs' requirements to serve people who buy manufactured homes either with mortgages or with chattel loans?

A.23. During my tenure at HUD, I oversaw HUD's regulation of manufactured housing. I recognize there are a number of challenges facing this segment of the market, and commit to examining those challenges. Any changes would have to follow from that careful examination.

Q.24. Fannie Mae and Freddie Mac finance manufactured housing communities. In Nevada, in 2018, they purchased 62 loans of manufactured housing investors. What changes will you implement to ensure that those loans facilitate community ownership for owners who provide robust tenant protections? Are there things Fannie and Freddie can do to ensure that the manufactured home communities they finance do not have abusive practices such as high lot rents and fines, unfair evictions, limitations on tenant associations, etc.?

A.24. I strongly share the concern that the GSEs not facilitate abusive practices. It would be my intention to review the GSEs' activities in this area, and if warranted, pursue appropriate changes to their policies that would better protect borrowers and tenants.

Q.25. Most of the banks and credit unions in Nevada are small. They do not necessarily have the deposits that enable them to hold mortgage loans on their balance sheets. Nor do they necessarily want to bear the credit and interest rate risk for each loan they make. Securitization--selling loans on the secondary market in a responsible way--can lower their risk and free up cash for more loans.

Recently, the FHFA issued a proposal to modify the Federal Home Loan Banks' affordable housing goals.

Do you support the affordable housing and community development mission of the Federal Home Loan Banks (FHLBs)?

A.25. Yes.

Q.26. Do you support the FHLB affordable housing goals as recently proposed? If not, what changes would you make?

A.26. I have not had an opportunity to read the recent proposal.

Q.27. Do you support the recently modified FHLB Affordable Housing Program rule? If not, what changes would you make?

A.27. I have not had an opportunity to read the recently modified rule.

Q.28. What will you focus on to ensure the FHLBs meet their economic development mission?

A.28. Increased data collection and evaluation of those activities to ensure they produce the intended results.

Q.29. In 2017, Latinos received 19 percent of home loans, compared with 76 percent of home loans made to Whites. Latino home ownership in Nevada, at a rate of 42.8 percent, lags behind the State's overall home ownership rate of 54.9 percent.

In your role as Director of the FHFA, what is your plan to oversee the Enterprises' programs and initiatives to facilitate home lending to Latinos and communities of color?

A.29. First to ensure that the enterprises are fully compliant with our Nation's fair housing laws; second to ensure that existing programs and initiatives are focused on sustainable home ownership; and third to engage in extensive program evaluation to ensure that those programs and initiatives are actually achieving the goal of sustainable home ownership. Given the dramatic harm done to Latinos and communities of color during the housing bust, it is my intention to avoid a repeat of that crisis.

Q.30. Do you believe that the Government should play a role in ensuring that communities of color and low- and moderate-income buyers have access to an affordable home loan? What actions do you think the FHLBanks, Fannie, and Freddie should do differently?

A.30. Yes, foremost I would research, examine, and evaluate current activities to make sure that the regulated entities' are currently acting in a manner consistent with that objective. To the degree that the regulated entities are not, I would seek changes, consistent with the statutory framework, to address those shortcomings. To the extent that such an examination suggests new actions, those would be evaluated and implemented, to the extent they are consistent with the statutory framework.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES
FROM MARK ANTHONY CALABRIA

Q.1. Dr. Calabria, over 40 percent of Alabama's residents are rural, which include a large portion of our low and moderate income homebuyers and our homebuyers of color. These rural communities overwhelmingly have a financing model that involves their community bank or credit union, and Fannie Mae and Freddie Mac are critical to providing a secondary market for these mortgages.

Should you consider actions to ``shrink the footprint'' of the Fannie Mae and Freddie Mac (the Enterprises), will you commit to maintain a pathway that preserves and expands access to traditional mortgage financing in rural areas?

A.1. Yes.

Q.2. Dr. Calabria, in a 2011 blog post about the racial home ownership gap, you wrote that we should ``abandon efforts to socially engineer specific home ownership rates.''

Specifically what policies were you referring to in this reference? Do you maintain those views today?

A.2. The long term reduction in underwriting standards, as well as attempts to target a specific home ownership number. I believe our objective should be sustainable home ownership and we should not target a specific home ownership number.

Q.3. Do you believe the Federal Government's discriminatory policies led to the creation of a racial home ownership gap?'

A.3. Yes.

Q.4. Do you believe the Federal Government has a role in addressing that gap today?

A.4. Yes.

Q.5. Specifically, what can you do as FHFA Director to address this gap?

A.5. Ensure that the GSEs' offer products that create sustainable home ownership.

Q.6. If confirmed, will you commit to maintain policies that facilitate traditional mortgage credit to the underserved market of minority borrowers, across income ranges?

A.6. Yes.

Q.7. Do you believe FHFA, as a regulator of the Enterprises, has a role in the implementation and enforcement Federal fair housing laws, including the Fair Housing Act, the Equal Credit Opportunity Act, and the Truth-In-Lending Act?

A.7. Yes, working in concert with the primary regulators of these statutes.

Q.8. Dr. Calabria, previously you have written that you believe Congress should ``repeal outright'' the Community Reinvestment Act (CRA).

Do you continue to believe that Congress should repeal the CRA?

A.8. I believe appropriate safeguards should be put in place to maintain an adequate regulatory framework around CRA lending.

Q.9. If not, can you describe what evidence changed your view?

A.9. There is currently an on-going regulatory effort to strengthen some of the problems in CRA. Before any

consideration of statutory changes, I believe we should wait for outcomes of that regulatory process.

Q.10. Do you believe the Federal Government has any role to compel financial institutions to serve the communities in which they are located, including low and moderate income communities?

A.10. Yes.

Q.11. As a member of the Financial Stability Oversight Counsel, the FHFA Director plays a critical role in the overall stability of our financial system. Given your comments in hearing about the role the CRA played in the financial crisis, do you currently believe that the CRA in any way poses a systemic risk to financial stability?

A.11. I believe all lending poses some degree of risk and should be regulated and monitored appropriately.

Q.12. Dr. Calabria, previously you have written that you believe that the downpayment and credit score requirements for the Enterprises should be raised dramatically. In Alabama, the median income is \$46,000, and the median income for African American families is roughly \$30,000. The current median listing price for a home in Alabama is just over \$200,000. For that median African American family, if they were saving 10 percent of their monthly income, every month, it would take them nearly 7 years to save for a 10 percent downpayment.

What impact do you believe raising downpayment requirements for the GSEs would have on first time homebuyers? What do you believe the impact would be on overall home ownership rates, including specifically on home ownership rates among minority communities?

A.12. I believe we can appropriately manage underwriting standards in such a manner that would improve safety and soundness without any loss in home ownership rates.

Q.13. Statewide in Alabama, average credit scores are 680. In Birmingham and in Montgomery the averages are below 630. In a 2015 blog post, you proposed minimum FICO scores of 700.

Mortgages to many of these borrowers are currently eligible for purchase by the Enterprises—but presumably would not be under your proposals.

A.13. I believe the Enterprises should be focused on sustainable home ownership.

Q.14. What impact do you believe higher credit score requirements would have on home ownership rates in communities with large number of residents with below average or nonprime credit scores?

A.14. I believe we can appropriately manage underwriting standards in such a manner that would improve safety and soundness without any loss in home ownership rates.

Q.15. As you may know, in the years following the financial crisis, there have been no people of color or women serving as CEOs of Fannie Mae or Freddie Mac. In addition, currently,

there are no people of color serving as President of a Federal Home Loan Bank.

Dr. Calabria, do you believe it is important for there to be diversity among Federal financial regulators, their senior staff, and in the case of FHFA, among senior leadership at Fannie Mae, Freddie Mac, and the Federal Home Loan Banks? If so, why?

A.15. Yes, I have written, for instance, about a lack of diversity at the Federal Reserve.

Q.16. If confirmed as FHFA Director, will you commit to working with Congress to find ways to increase diversity among FHFA leadership and senior staff, as well as leadership at the Enterprises (including the Federal Home Loan Banks)?

A.16. Yes.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA
FROM MARK ANTHONY CALABRIA

Q.1. The 2008 housing crisis hit Arizona particularly hard, but the impact was not uniformly felt because Fannie Mae and Freddie Mac's multifamily housing programs included taxpayer protection tenets that appropriately distributed risk. Following their move to conservatorship, these GSEs serve an essential role in the multifamily housing market and have delivered \$34 billion in net profits. As Congress considers housing finance reform, what lessons can be applied from the success of multifamily housing programs?

A.1. The primary reason the GSE multifamily portfolios performed so much better than the single family, despite similar declines in the value of multifamily properties, was the much more conservative nature of the mortgage underwriting applied in the multifamily space. The primary lesson here is that strong, sensible underwriting is critical.

Q.2. In 2013, in testimony before the House Financial Services Committee, you stated that a 2-year path to receivership for Fannie Mae and Freddie Mac would be ``more than sufficient time to prepare.'' Does the Housing and Economic Recovery Act of 2008, which created the position you now seek, give the FHFA Director authority to move GSEs into receivership--in 2 years or otherwise--without Congressional approval?

A.2. The receivership provisions, contained in Section 1145 of HERA, do not require Congressional approval for either a mandatory or discretionary invoking of receivership. These provisions are structured to mirror the receivership provisions of the Federal Deposit Insurance Act (Sections 11 and 13), which also does not contain a requirement for Congressional approval. Relatedly, Title II of Dodd-Frank establishes a similar resolution mechanism that also does not require Congressional approval. That being said, I intend to consult closely with Congress on any reforms of the GSEs.

Q.3. Action in the face of the 2008 housing crisis was necessary to prevent further loss, foreclosure, and hardship

for Arizona families and small businesses. If confirmed, and should a housing crisis occur under your tenure, what if any actions as FHFA Director would you consider taking to stabilize the market? Are there any actions you would definitively rule out, irrespective of economic circumstance, despite having the authority to do so? If so, why?

A.3. I believe FHFA has a responsibility to work to stabilize the housing market. I would consider any options that are within the authorities of FHFA and would not rule out any specific actions that are within the authorities of FHFA. For instance, I believe the broad based forbearance given to GSEs' borrowers during the last crisis was appropriate given the particular facts and circumstances.

Additional Material Supplied for the Record
LETTERS SUBMITTED BY CHAIRMAN CRAPO

[GRAPHICS NOT AVAILABLE IN TIFF FORMAT]