



AMERICANS *for* TAX REFORM

May 20, 2020

The Honorable Michael Crapo
Chairman, Committee on Banking
United State Senate
Washington, D.C. 20515

The Honorable Sherrod Brown
Ranking Member, Committee on Banking
United States Senate
Washington, D.C. 20515

Dear Chairman Crapo and Ranking Member Brown:

I write to recommend a set of policy proposals for your Committee to consider that will help reinvigorate the economy in response to the unprecedented economic downturn that the Coronavirus pandemic has caused.

Prior to the pandemic, the U.S. economy was stronger than ever. In [February](#), 273,000 jobs were created and wages had grown by 3 percent or more for 19 consecutive months. More than 100,000 jobs were created in 35 of the past 39 months and the unemployment rate was 3.5 percent, a 50-year low.

COVID-19 has taken a sledgehammer to this strong economy. Tens of millions of workers are newly unemployed and the economy is [projected](#) to contract by over 7 percent during the second quarter of the year.

Given this steep downturn, it is imperative that lawmakers and the administration implement proposals that help the American economy recover.

While Congress and the administration have already taken steps to mitigate the damage caused by the pandemic by offering workers, businesses, and the healthcare system much needed aid, more needs to be done.

As the focus turns to re-opening the economy, policymakers should enact a reform package that includes policies that allow more Americans to access capital and affordable financial service products while rejecting taxpayer-funded bailouts of long-troubled programs whose problems are unrelated to the COVID-19 outbreak. Several suggested options are proposed below.

- For disbursements of relief funds, payments made or benefits provided in legislation should be delivered electronically either through (i) a real-time payment network that provides funds available for customers in real-time who have a deposit account with a U.S. depository institution or (ii) a program administered by the U.S. Department of the Treasury Bureau of Fiscal Services Direct Express for customers who prefer to receive funds on an existing reloadable prepaid debit card.
- Remove the member-business loans cap imposed on credit unions that prohibits credit unions from lending more than 12.25% of their assets to small businesses. Extending access to capital for small businesses is a proven catalyst for the economy - providing income and jobs to the unemployed and credit unions have a strong history of lending during challenging economic circumstances.
- Consider further delaying the Current Expected Credit Losses financial account rule beyond Dec. 31, 2020.

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- Allow for the health emergency to dissipate and regulators to evaluate the conditions of financial institutions before imposing greater capital and liquidity requirements.
- Forgo instituting a moratorium on any or all mergers and acquisitions. M&A will be necessary for fragile institutions and firms and presents an alternative to bankruptcy. Shareholders and private institutions should be respected and protected against government intrusion
- Reject a taxpayer funded bailout of the United States Postal Service and instead pursue meaningful reform to address the long-term solvency issues that a bailout would ignore. Congress should also reject efforts to remove the appropriate conditions negotiated by the Treasury Department on the \$10 billion line of credit given to USPS in the CARES Act.
- Prohibit the use of any taxpayer funds to be used for USPS postal banking and financial services operations that would compete with private sector banks and credit unions. Prohibit the creation of any new pilot program that would expand this business practice through collective bargaining.
- Reject a Butch-Lewis modeled bailout of Multiemployer Pensions Plans and instead provide meaningful reform to maintain the solvency of the Pension Benefit Guaranty Program and enact appropriate funding rules to protect both taxpayers and pensioners. Efforts to provide bailouts for MEPPs, including the Rehabilitation for Multiemployer Pension Plans Act, would immediately send more than \$70 billion to underfunded plans without reform and taxpayer protections. Such an approach is an unserious proposal and contrary the Senate's compromise plan for reform offered by Senator Chuck Grassley and Senator Lamar Alexander.
- Reject efforts to use this crisis as a reason to impose immaterial and costly disclosure requirements on public companies, particularly around issues of a social or political nature. Such mandates will only harm retail shareholders and are entirely unrelated to the current crisis.
- Oppose efforts by large institutional investors to use the Securities and Exchange Commission's proxy process to advance political agendas uncorrelated to shareholder returns, particularly in the midst of a pandemic where many public companies are struggling to keep employees or even survive.
- Support reforms to liberalize regulations regarding capital formation so that businesses and investors are able to access ready capital to grow and create jobs. Examples include the SEC's current proposals regarding the definition of an accredited investor and its March 2020 rule proposals regarding private offerings.
- Protect the credit reporting system by providing assurances for consumers that the credit reporting system will remain intact and accurate through the emergency credit affordability for all. Without accurate reporting and credit scores, investors will not put their capital at risk which will result in credit being rationed and affordable credit will flow to consumers with the most means.

- Allow FDIC insured deposit institutions to earn Community Reinvestment Act credit for providing investments in – or contributions to - certified not for profit credit counselors. Providers of financial services education programs targeted to low- and moderate-income individuals is a permitted use of the funds and the credit counselors can provide a critical service to families in need.
- Instruct federal banking and other financial regulators to reassure lenders that they will not be penalized for providing small-dollar credit options to hard-pressed borrowers, even if those options are more expensive than traditional credit. Encourage state financial regulators to do the same.
- Students strategizing for college and shareholders contributing towards retirement plans and pension funds deserve certainty from government intervention in their financial planning and investments made for their future. CFPB Director Kraninger should act with urgency and withdraw the consent decree administered under former Director Cordray against the National Collegiate Student Loan Trusts and their loan servicer, Transworld Systems, Inc.
- Targeted and limited safe harbor from liability for responsible companies that implement federal public health guidelines related to the spread of COVID-19. Businesses should be able to rely on public health experts' safety guidelines and reopening parameters without the threat of significant liability for following that guidance.
- Congress and the Securities and Exchange Commission should focus on modernizing laws, regulations, and guidance to facilitate greater electronic delivery of required investor documents, including brokerage confirms, prospectuses, and statements. Advancing additional SEC regulatory modernization, beyond recent improvements to facilitate electronic delivery of mutual fund shareholder reports, would be consistent with the trend towards greater electronic delivery of investor documents among federal agencies, including the Department of Labor.

Sincerely,



Grover G. Norquist
President, Americans for Tax Reform