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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

GREGG RICHARD, STAFF DIRECTOR  
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July 30, 2020

The Honorable Jerome Powell  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Dear Chairman Powell,

We have applauded you in the past for your stance that the Federal Reserve is an independent institution that must prioritize the national interest over political interests. You have stated, “Congress chose to insulate the Fed this way because it had seen the damage that often arises when policy bends to short-term political interests,” which we believe is an important acknowledgement.

As you well know, the independence of the institution that you lead is under attack like no other time in its history. The President has publicly exerted pressure on Federal Reserve policymaking, on you directly, and through his current nominees.

Many times, you have come before Congress and advocated that, due to the fragility of the economy caused in part by the government’s response to the COVID-19 pandemic, we consider a much stronger fiscal response. To uphold the independence of the Federal Reserve, however, you have avoided specific recommendations on who should receive fiscal support, or what policies would best serve economic stability. As Senators who believe Congress should be much more active helping workers and families get through this crisis, we have been frustrated by your reticence about the dangers of our colleagues failing to take action, but we have respected your decision with the understanding that you believe in the Federal Reserve’s independence.

However, Vice Chair Quarles has not been shy about lobbying on behalf of Wall Street, and it concerns us to learn that Vice Chair Quarles and Federal Reserve staff have been working with Senate Republicans to craft legislation that would undermine financial protections Congress passed after the last financial crisis. It is even more alarming that the Federal Reserve would attack a broadly supported and bipartisan provision named for a Republican Senator in a bill that was named for two Democrats. The Federal Reserve’s approval of the Collins Amendment was also nonpartisan - ordered by a unanimous vote of the Board of Governors in 2013, which was led by Republican appointee Ben Bernanke and that included you as a Governor.

The Collins Amendment sets two very reasonable standards – the largest banks should not be allowed to operate with less capital than community banks, and no bank should be allowed to operate with less capital than was required of all banks when the Dodd-Frank Act passed. The

amendment recognized that a root cause of the 2008 financial crisis was regulators' failure to maintain adequate capital requirements at the largest banks, and we will not allow that mistake to be repeated. It is illogical and indefensible that the Federal Reserve would advocate for lowering capital standards at the largest banks, while allowing those banks to reduce their capital positions by rewarding CEOs and investors with continued dividends. As we have pointed out before, numerous former regulators, including both of your predecessors – a Republican and a Democrat, have spoken out about the danger to the financial system in your decision to allow banks to continue to reduce their capital positions.

In effect, the Federal Reserve is allowing banks to line their own pockets by raiding equity that could otherwise be invested in the real economy or used to protect against another financial system bailout. Banks have demonstrated that reducing capital standards does not promote lending or other useful economic activity, but instead encourages continued theft from the success of the real economy – the working families that we are all charged with protecting.

The Federal Reserve has created an untenable position. When it comes to direct help for families and communities, the Federal Reserve believes its independence requires caution and silence. But, when it comes to weakening financial protections for those same families, the Vice Chair is outspoken on behalf of Wall Street interests.

You have been a measured and reasonable leader of the Federal Reserve during a period of great unrest. We would urge you not to undermine your reputation and legacy, or the Federal Reserve's, by compromising the institution's independence.

We look forward to your response to our concerns.

Sincerely,



Sherrod Brown  
United States Senator



Elizabeth Warren  
United States Senator