Senate Banking, Housing, and Urban Affairs Committee hearing on the Annual Oversight of Wall Street Firms, sked FINAL

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TRANSCRIPT

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COMMITTEE HEARING

SEN. SHERROD BROWN, D-OHIO

SENATE BANKING, HOUSING, AND URBAN AFFAIRS COMMITTEE HEARING ON THE

ANNUAL OVERSIGHT OF WALL STREET FIRMS

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SENATE BANKING, HOUSING, AND URBAN AFFAIRS COMMITTEE HEARING ON

THE ANNUAL OVERSIGHT OF WALL STREET FIRMS

MAY 26, 2021

SPEAKERS:

SEN. SHERROD BROWN, D-OHIO, CHAIR

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SEN. JON OSSOFF, D-GA.

SEN. RAPHAEL WARNOCK, D-GA.

SEN. PATRICK J. TOOMEY, R-PA., RANKING MEMBER

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SEN. BILL HAGERTY, R-TENN.

SEN. CYNTHIA M. LUMMIS, R-WYO.

SEN. STEVE DAINES, R-MONT.

WITNESSES:

CHARLES W. SCHARF, CEO AND PRESIDENT, WELLS FARGO & CO.

DAVID M. SOLOMON, CHAIRMAN AND CEO, GOLDMAN SACHS

JANE FRASER, CEO, CITIGROUP

JAMIE DIMON, CHAIRMAN AND CEO, JPMORGAN CHASE & CO.

BRIAN THOMAS MOYNIHAN, CHAIRMAN AND CEO, BANK OF AMERICA

JAMES P. GORMAN, CHAIRMAN AND CEO, MORGAN STANLEY

BROWN: (OFF-MIKE) once you start speaking there'll be a slight delay before you're displayed on the screen. To minimize background noise, please click the mute button until it's your turn to speak or ask questions.

You should all have one box on your screens labeled clock. For witnesses, you'll have five minutes for opening statements. For all senators, the five-minute clock still applies for questions. At 30 seconds remaining, you'll hear a bell ring to remind you your time is almost expired. It rings again 30 seconds later.

If there's a tech issue, we'll move to the next witness or senator until it's resolved. And finally, to simplify the speaking order process, Senator Toomey and I have agreed to go by seniority for this hearing.

Today's the first time we've ever had the CEOs of the nation's six largest banks together before the committee.

Over a century ago, Louis Brandeis wrote about the concentration of corporate power and how it distorts the market. He called his book Other People's Money and How the Bankers Use It. It's a subject Americans continue to have a stake in: how you, the nation's largest financial institutions use other people's money.

You are the six most powerful business leaders in this country. Your decisions affect the lives of millions of Americans -- their paychecks, their opportunities, their retirement savings. And your power is so much greater than that of your predecessors 30, 40, 50 years ago.

Look what's happened to our country during that time. Profits have gone up. Stock prices have soared. Your own compensation is stratospheric. But workers are workers are getting a smaller and smaller share of the wealth they create and they're working harder than ever.

We have a racial wealth and income gap that's barely budged since we passed the Civil Rights Act. In the aftermath of the 2008 Great Recession where millions lost their jobs, Wall Street still made record profits. In a pandemic where half a million Americans died, we had the highest unemployment since the Great Depression, Wall Street still made record profits. I sense a pattern.

Like most Americans, I want businesses to make money. I don't mind that bankers are rich. Some people are going to be wealthy, that's fine with me.

Here's the problem though: under the current system, Wall Street profits no matter what happens to workers because those profits now come at the expense of workers. Your banks are the ones that largely built that system.

We often hear about the invisible hand, but the economy isn't physics. It's not governed by scientific laws outside our control. It's made up of people making choices about our values and about the society we want to live in.

The invisible hand doesn't lay off workers. The invisible hand didn't invent credit default swaps. The invisible hand doesn't decide to invest in private equity firms that buy up mobile home parks in Iowa and across the country and then jack-up the rent.

Your banks, your lobbyists, your fellow CEOs at other large -- some of the largest companies in America, you make those choices that dictate how our economy works. Wall Street built this system; they didn't build it for everyone, they built it for themselves.

BROWN: When companies lay people off, when they move jobs to low-wage countries, when they cut paychecks, when they bust unions, when they subcontract work to lower-paying companies with fewer benefits -- when all that is done, Wall Street analysts yell buy, buy, buy.

And what you do sends a signal to every other company. If businesses want investment, they emulate you. They know they won't attract investment unless they repurpose all their funds into short-term profits for shareholders.

As you all know, it's not -- when you started in your businesses -- it's not always been like this. When I was growing up, the CEO-to-median-worker pay ratio was 20-to-1. That was pretty good money and a pretty good lifestyle for management, as it should've been.

Today, that ratio is closer to 320-to-1. It -- from the mid-20th century through the early '80s, the financial sector made up 10 percent to 15 percent of corporate profits. Today it's 25 percent, yet it makes up only 4 percent of jobs.

A few decades ago, a majority of Wall Street capital funded the real economy -- wages, machinery, research, new construction. Today, much of that capital goes to stock buybacks and dividends in complex financial instruments, only about 15 percent goes to the real economy.

Instead of investing in businesses that actually make things, or provide useful services and create real jobs in towns all over the country, companies spend billions buying back stocks and handing out CEO bonuses. Stock buybacks used to be illegal market manipulation, today they're routine.

Wall Street's interests and Main Street's interests no longer match up. The current system treats workers as a cost to be minimized instead of the engine behind our success.

Look what's happened in places like where I grew up in Mansfield, Ohio. Jobs shipped overseas to countries where companies can pay workers less, declining union membership by design, crumbling roads, shuttered storefronts, workers forced to choose between a hometown they love and leaving in search of opportunity -- and that was before 2008, you know what happened to Americans then.

And Congress and too many in Washington have been willing accomplices -- tax break after tax break, gutting consumer protections, trade deals written by corporate lobbyists.

So I come back to this, there's a reason towns across the country like Mansfield look the way they do. It's because our economy is no longer about workers and communities, and real investment in both of these.

The six of you before us today are the most powerful economic titans in our country. Your banks, the systems they built and uphold bear some responsibility.

At the end of last month, we held our first-ever worker listening session. We heard from workers from all kinds of backgrounds, working all kinds of jobs, including as a former teller at one of your banks.

They talked about wage theft, about being laid off during a pandemic with no severance, about how dangerous their workplaces could be, about how companies busted their unions. There's a common thread through their stories: their hard work simply doesn't pay off -- certainly, not the way yours does.

Pamela Garrison, a worker from West Virginia, said something that stuck with me. Working poor are -- she said, working poor are two words that shouldn't go together.

I know you can't snap your fingers and fix these -- all these workers' problems. But you also can't tell me the decisions you make have no effect on the factors that determine their job opportunities and their wages.

And yes, I know you work hard too. We all do. Work's something that unites all of us. We're all trying to do something productive for our families, for businesses -- and, yes, for our communities and our country.

Here's the difference though. For most people, no matter how hard they work, if one thing goes wrong in their lives -- they get in a car accident, the plant where they work shut down, their spouse gets sick -- they're on their own. They don't get a taxpayer bailout. They all remember that Wall Street did.

BROWN: And it hasn't only been the bailouts. No one can deny that this nation -- this nation has been good to the financial industry. Deposit insurance, the federal payment systems, the whole financial infrastructure you all rely on, but your banks haven't held up your end of the deal.

As far as I can tell, you haven't at all rethought this Wall Street system built on short-term profits at the expense of long-term growth for everyone. In fact, you continue to perpetuate it.

Wall Street gets second chance after second chance after second chance. Most workers don't even get one.

It's past time for the financial industry to be as good to the American people as the nation has been to you, the financial industry.

The purpose of today's hearing is to show Americans their government's finally looking out for them. That we understand this economic system has betrayed millions of workers and it holds our country back.

Here's what we want to hear from you today. What are you and the companies you run going to do -- not just say, but actually do -- to change?

We want to hear what concrete actions you'll take to change the incentives on Wall Street to reward work instead of just rewarding wealth; to pay for and work to undo the damage that Wall Street has done and continues to do to communities of color; to stop investing in corporations that fuel climate change, threatening people's communities and livelihoods; to channel your vast resources into businesses that employ actual people in cities and towns, from my father's hometown of Mansfield, Ohio to my mother's hometown of Mansfield, Georgia; to invest in our country's greatest asset, the American people.

I've heard many of you argue you don't need government rules forcing you to make changes to your business model. So today, start. Show us some proof. Prove to us that you're going to use your positions to change the Wall Street system to make our economy work for everyone, not just for CEOs and the wealthy.

Senator Toomey?

TOOMEY: Thank you, Mr. Chairman.

Today's hearing is about the U.S. financial system. And this financial system proves to be remarkably resilient during COVID, but I am concerned about increasing pressure on banks to embrace wokeism and appease the far-left's attacks on capitalism.

And I worry that continuing down this path could lead to distorted credit allocation, activists seeking to make political change through the financial system instead of through the democratic process, and ultimately diminish prosperity for Americans.

So first, let's observe that the banking system did, in fact, prove to be very resilient.

Last year, we had the worst pandemic in more than 100 years. The government shut down almost the entire economy. We had the most severe recession since the Great Depression. And despite all that, banks remained stable, responded to their customers' needs for credit. Because they were so well capitalized, they were able to do so.

In fact, one of the best decisions we made during COVID, probably, was administering the Paycheck Protection Program through the banking system because there was no other system that had the scale or agility to run this program. And banks leveraged their relationships to deliver hundreds of billions of PPP dollars to millions of small businesses so they could keep their workers employed.

So the financial system's contributions to America's economic growth before and during the pandemic are really part of the larger success story of our capitalist system.

There's -- no economic system has lifted more people out of poverty, created more opportunity, and produced a higher standard of living than democratic capitalism. Thanks to capitalism, life is better for the vast majority of Americans today than it's ever been.

In fact, before COVID -- just before COVID, we had the best economy of my lifetime as measured by the very metrics that my Democratic colleagues believe are very important.

I mean, we had the lowest unemployment rate in 50 years for all Americans. We had all-time record-low unemployment rates for African Americans, Hispanics. We had more jobs than people looking for work and we had a record-low poverty rate.

And contrary to the characterizations we sometime see, we had across-the-board wage growth and the wage growth was growing fastest for the lowest-income earners. So we were narrowing the income gap. In fact, the very system of economic freedom that my colleagues sometimes criticize was actually creating unprecedented and shared (ph) prosperity across America.

That's why I'm surprised and troubled to see some leaders at some banks taking actions that I think undermine the property rights that are at the very heart of our system and can lead to politicized lending.

Some bank leaders have embraced the so-called stakeholder capitalism, which really diminishes the primary -- the primacy of shareholders in our economy and enables -- or encourages corporations to pursue a social agenda rather than prioritize its responsibility to its owners.

It's a fact that a well-run business always benefits their stakeholders. That's the nature of -- of business. But management's responsibility is to do so in service to shareholders because they own the company.

And people who own a company -- whether it's through shares in a retirement account, pension plan, college savings account or anything else -- they rely on a firm's officers to look out for their financial interests. Making decisions based on social policy objectives rather than profit maximization deprives these shareholders of their rightful property.

And worse yet, once shareholders' rights are reduced to the level of all other stakeholders, how's a (ph) company's management decide whose interests to prioritize?

Now, some believe the government should step in and make those decisions. For example, there are people who favor a prohibition on stock buybacks. After all, if the shareholders' interest is no longer paramount, then the government can determine that that capital would be appropriately allocated to employees, or the environment, or some other special interest group.

And it's a fallacy to think that if you're seeking profits you're not serving people. In fact, it's the exact opposite. A business can only profit when it satisfies its customers, and that can only be achieved with a satisfied workforce and good relationships with its community.

Finally, let me close with just a suggested word of unsolicited advice. If there's an issue in the political realm that affects your bank, like taxes or regulatory policy, I would hope you would articulate your views on behalf of your shareholders.

But if there's a highly-charged social or political issue that involves balancing competing values, such as balancing access to voting with election security -- both of which are important, sometimes competing, values -- that ought to be left to elected lawmakers. Those are the folks who are elected to make these difficult policy decisions. And most importantly, they're the people who are directly accountable to the American people who hire and fire them -- the voters in their jurisdictions.

Thank you, Mr. Chairman.

BROWN: Thank you, Senator Toomey.

We have six witnesses today. I will introduce each now then call on them in the order with which they've been introduced.

Our witnesses are Mr. Charles Scharf, who worked for Salomon Smith Barney, Citigroup, Bank One, Visa, and Bank of New York Mellon before being named CEO of Wells Fargo in October 2019. Welcome, Mr. Scharf.

Mr. David Solomon worked at Irving Trust, Bank of New York Mellon, Drexel Burnham, and Bear Stearns before joining Goldman Sachs, where he's served as CEO since October of 2018. Welcome, Mr. Solomon.

Ms. Jane Fraser worked in mergers and acquisitions at Goldman Sachs before joining Citi in 2004. She took over as CEO of Citigroup in March 2021. Welcome, Ms. Fraser.

Mr. Jamie Dimon began his career at the stock brokerage Shearson, Hammill & Company and interned at Goldman Sachs before working in American Express and Citigroup. He served as CEO of Bank One until it merged with JPMorgan Chase, where he's served as CEO since 2005. Welcome, Mr. Dimon.

BROWN: Mr. Brian Moynihan served at FleetBoston Bank and as CEO of Merrill Lynch until it merged with Bank of America, where he's -- was named CEO in 2010.

Welcome, Mr. Moynihan.

And finally, Mr. James Gorman worked as a bank consultant for McKinsey before joining Merrill Lynch. He went on to work for Morgan Stanley, where he was named co-president in 2007. He's served as CEO since 2010.

Welcome, Mr. Gorman.

Mr. Scharf, you are recognized for five minutes. Thank you for joining us.

SCHARF: Chairman Brown, Ranking Member Toomey, members of the committee, good morning, and thank you for the opportunity to be here today.

Just over a year ago when I last appeared before Congress upon assuming my role as CEO, we were on the verge of a global pandemic. I cannot help but look back and think how little we understood then of what 2020 would bring. When the pandemic struck, we all came together to stand up unprecedented assistance at a scale and speed that had never been done before. Though the process was not perfect, we, the government and others rallied to do what needed to be done, and now we must continue to work together to ensure a fair and equitable recovery.

As we begin taking steps towards recovery, I'm proud of Wells Fargo's efforts to support our customers, our employees and the communities we serve, all while continuing to transform our organization. I believe our country and communities benefit from a strong Wells Fargo, and I'm proud that we've been a source of strength for our customers and communities during the toughest of times. They are our core and must remain our priority in all we do.

To support our customers during the pandemic we deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people to make ends meet. We provided over one million mortgage forbearances and suspended residential property foreclosures and evictions to keep Americans in their homes, and we acted as the leading -- as a leading lender in the Paycheck Protection Program, funding more than $13.7 billion in aid to small businesses. Over 40 percent of our loans were made to businesses located -- located in low- to moderate-income or majority-minority census tracts.

Recognizing that the goal of the PPP was to provide a lifeline to struggling small businesses, we also took the more than $400 million in fees generated by the program in 2020 and are donating them to our Open For Business Fund, which is allowing us to engage CDFIs, not-for-profits and others to help businesses manage the economic effects of COVID-19, and we will continue to do our part by working on solutions to tackle the problem of unbanked and under-banked individuals and other efforts to foster an inclusive recovery. We look forward to defeating the impact of the pandemic together and believe Wells Fargo will play an important role in helping rebuild a stronger America.

To our employees, I'm proud of the work you've done over the past year to support our customers and communities through these uncertain times. You prioritized safety and well-being, and my deepest gratitude goes out to our front-line workers who made it possible to keep branches open safely. We transitioned more than 200,000 employees to remote work last March, and we understood the tremendous strain that the pandemic would place on all of our employees and their families. We made special cash awards to approximately 165,000 employees, offered enhanced support for employees who are parents or caregivers, provided free, voluntary COVID-19 testing for all employees working in a Wells Fargo location and offered paid time off to employees for vaccination appointments.

For the communities we serve, we continued to invest in the institutions critical to their success. While we're very encouraged to be seeing signs of improvement, we realize that not all of our communities are benefiting equally in the recovery. This is why Wells Fargo has been working to support a more inclusive economic recovery with a focus on racial and social equity, economic mobility and investments in low- and moderate-income communities.

For example, we're investing in black-owned minority deposit institutions across the country as part of our $50 million commitment to support MDIs, and we have given more than $150 million to CDFIs around the country who are providing grants to hard-hit small businesses.

Additionally, just last week we announced our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and helped unbanked communities have easier access to low-cost banking.

We are also committed to helping transition to a low-carbon economy and have set a goal of achieving net-zero greenhouse gas emissions, including our financed emissions, by 2050.

And finally for our company, while we still have significant work to do, we're committed to devoting the resources necessary to operate with strong business practices and controls and maintain the highest level of integrity and have an appropriate culture in place.

Thank you again for having me, and I look forward to answering your questions.

BROWN: Thank you, Mr. Scharf.

Mr. Solomon, you're recognized for five minutes.

SOLOMON: Chairman Brown, Ranking Member Toomey and members of the committee, thank you for giving me the opportunity to speak today.

In these last 14 -- these last 14 months have been an incredibly challenging time as the pandemic has swept across the world, killing almost 600,000 Americans and plunging us into a steep economic retraction. Even today, our hearts go out to the people of India and others around the world who continue to suffer from this virus.

However, because of the swift actions taken by Congress, the Federal Reserve and others to combat this health and economic crisis, I'm very optimistic about our future. As more people are vaccinated, the U.S. is poised for a strong recovery. I'd be remiss if I didn't thank Moderna, Pfizer, Johnson & Johnson and AstraZeneca for the amazing work they've done on life-saving vaccines.

The banking industry performed well during the crisis, as the Fed's two stress tests in 2020 confirmed. This is due in part to the Dodd-Frank Act and other financial regulations put in place since the 2008 crisis.

Goldman Sachs remained well-capitalized both leading up to and throughout the pandemic. Goldman Sachs has more than 40,000 employees, and I continue to be in awe of their resilience. To help them through the pandemic, we gave our people an additional 10 days of paid family leave, expanded access to child and adult care, offered free telemedicine and rolled out a global COVID testing regime.

In addition, we've continued to pay our on-site vendor staff whether they worked or not. That includes our mailroom staff, cafeteria workers, security guards and janitorial staff. Over the last year, we experienced historically elevated levels of client demand, and because we were well-capitalized, we were able to help our corporate clients weather the impact of COVID-19 and position themselves for a post-pandemic recovery.

For our digital bank customers, we launched a COVID Customer Assistance Program, which allowed customers to defer loan payments for four months and credit card payments for six months at no extra cost. We also found innovative ways to support small businesses. We are not an SBA lender, so we did not participate directly in the Paycheck Protection Program. Instead, we committed $1.25 billion in capital to community development financial institutions and mission-driven lenders who facilitated PPP loans across the country.

The capital we deployed with our CDFI partners reached very small businesses, nearly half of which are in minority communities. The average loan size is around $43,000, and the median employee count is two.

In addition, last week we committed another $1 billion in partnership with the SBA, and our CDFI partner Lendistry to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. We did this to ensure these applicants were able to have the loans processed and approved before the PPP funds are exhausted.

SOLOMON: We also continue to support small businesses through our 10,000 Small Business Program launched in 2010. Through this program we provide education by partnering with community colleges and greater access to capital to thousands of small businesses. Last year we committed an additional $250 million to serve another 10,000 small-business owners. We've also committed an additional $500 million to our program for diverse entrepreneurs and investors launched with G.S.

And now I want to focus on three other initiatives that are incredibly important to us.

First, we've already achieved more than a fifth of our 10-year target of $750 billion in financing, investing and advisory activity focused on climate transition and inclusive growth. We've been carbon=neutral across our own operations since 2015, and we've recently set a goal of net zero carbon emissions in our supply chain by 2030.

Second, we commissioned extensive research on how to mitigate income equality, which showed that black women are one of the most marginalized groups in this country. We found that if we can reduce the earnings gap for black women we could see U.S. GDP increase by $300 billion a year.

In response, we developed a new initiative called One Million Black Women, where we will invest $10 billion over the next 10 years to narrow opportunity gaps for at least 1 million black women in the U.S.

The final initiative relates to improving our diversity and inclusion. When I became CEO two and a half years ago I said this would be one of my top priorities. Since I last testified before Congress we have made progress. Our board will now have six out of 13 directors who are women and it'll be 62 percent diverse by race, gender or sexual orientation. And (inaudible) partner class includes the highest percentage of women and black partners in our history. In addition, our 2020 Analyst Class in the Americas was 55 percent women and black talent, our highest ever.

However, I'm not satisfied with this, and we continue to work to address this.

Thank you. I'd be happy to answer any questions that you have.

BROWN: Thank you. Mr. Solomon.

Ms. Fraser, you're recognized for five minutes.

FRASER: Thank you very much, Chairman Brown, Ranking Member Toomey and members of the committee. And thank you for the opportunity to represent Citi today.

By way of introduction, my name is Jane Fraser. I joined the bank 17 years ago and I became CEO in March.

I grew up in a small village in Scotland, but first came to the U.S. in 1987, and I proudly became a U.S. citizen in 2001. My husband emigrated to the U.S. from Cuba when he was a young boy, and he's also a proud citizen of our country. So we feel very fortunate about the opportunities the U.S. has created for our family, and we believe we have an obligation to ensure that everyone can participate in the American Dream.

At Citi, we also recognize this has been a very challenging time for Americans, millions of whom we are very proud to call our customers.

The origins of this global crisis are unlike the last one. This is a public health crisis with severe economic consequences.

And through this pandemic Citi has shown we're a very different bank than the one that entered the financial crisis more than a decade ago. We're smaller, we're safer, we're stronger, and we're far less complex. And we have had the financial resources to support our clients and communities through this crisis. And we're laser-focused on driving a sustainable and equitable recovery from the pandemic.

I will always be proud that we were the first bank to provide relief programs for retail and small-business customers in the U.S. We're also proud to be a reliable conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We also helped deliver this aid across many government-sponsored programs, including the Paycheck Protection Program.

And as a result of the tremendous need from small businesses, we went from being a pretty small SBA lender to so far funding more than $5 billion in PPP loans to the hardest-hit small businesses, with nearly 80 percent of the loans going to businesses with 10 or fewer employees. And we are donating all of the net profits that we've made from the program to further support vulnerable small businesses and communities in the U.S.

At the same time, we made our own people and their safety a priority, and provided special compensation awards and many benefits to our many colleagues to help ease their financial burden and concerns.

As the world's most global bank, we will continue to support many of the most iconic American businesses as they navigate the uncertainty of operating in markets abroad. Working in concert with federal assistance programs, we will also continue to serve as a source of strength for our customers and communities here at home.

We have a smaller branch footprint than many of our peers, but we will harness the full power of our bank's capabilities to extend our reach and help make sure the recovery leaves no one behind.

We are proud of our record of enabling opportunity in communities. For 11 straight years we have been the number one lender for affordable housing in the U.S. In 2020 alone, we worked with state and local governments to finance over $27 billion in vital capital projects, such as roads and schools, hospitals and utilities. And through low-cost and no-fee products we continue expanding financial services in under-banked neighborhoods.

Almost exactly a year ago, as calls for social justice rang out in the wake of George Floyd's murder, Citi answered those calls with action. We launched a firm-wide effort, including a billion dollars in strategic initiatives to help close the racial wealth gap in the U.S.

We're not alone in our commitment to equity, but what distinguishes us is in how we hold ourselves accountable for results, and where we have more work to do we're very upfront about it. This transparency has defined our representation goals and our efforts to close our gender pay gap. It's also part of our sustainability agenda and our commitment to net zero emissions by 2050, which I announced on my first day as CEO.

Helping our clients transition to a low-carbon economy is going to be central to this work. I'm determined for Citi to continue leading on these issues. They are central to our mission of enabling growth and progress. I want us to build a reputation for excellence in everything that we do.

So thank you, again, for the opportunity to talk about Citi's efforts to be part of the solution and recovery to the pandemic.

BROWN: Thank you, Ms. Fraser.

Mr. Dimon is recognized for five minutes.

DIMON: (OFF-MIKE)

BROWN: Mr. Dimon, you are recognized for five minutes.

DIMON: Sorry.

Chairman Brown, Ranking Member Toomey and distinguished members of the committee, I appreciate the invitation to appear before you to talk about JPMorgan Chase, the people, the businesses and the communities we serve.

We are living through unprecedented times, where history will judge the leaders of government and industry by the actions we take to address the health and economic crises and long-standing structural inequities.

At JPMorgan Chase, we entered this crisis with a position of strength, and leveraged our size and scale to contribute to stability in our country and ongoing support for the real economy, our customers, employees and communities impacted by the global crisis.

DIMON: In 2020, we extended credit and raised capital totaling $2.3 trillion for consumers and businesses of all sizes, helping them meet payrolls, avoid layoffs to support operations. We delayed payments for 2 million mortgage, auto and credit card accounts and refunded $120 million in fees for more than 1 million customers, no questions asked. We funded over 400,000 Paycheck Protection Program loans to small businesses, supporting over 3 million jobs for more than $40 billion in total funding. About 90 percent went to businesses with fewer than 20 employees, and around one third went to businesses in communities of color.

Outside of PPP, we provided an additional $18 billion in new -- in new credit for small businesses. We committed $250 million in business and philanthropic initiatives, with a particular focus on helping underserved small business and not-for-profits, and we supported our employees, especially our front-line workers, who continued to show up, do the jobs in branches, call centers, lockboxes and other roles that could not be performed at home. We gave special payments, provided additional paid time off and continued to pay for regularly-scheduled hours, even if hours were reduced or zero.

There is no doubt that the bold and swift actions taken by Congress, the Federal Reserve, the administration over the past 15 months was instrumental in reversing the financial panic and avoided a deep and lasting economic crisis. For the last year, exacerbated, long-standing inequity -- in -- inequality, particularly among black and Latinx families, increasing barriers to wealth creation and holding us back as a country. (ph) That is why JPMorgan Chase recently committed an additional $30 billion over five years to address racial economic inequality, focusing on expanding affordable housing and ownership, growing black- and Latinx-owned businesses and improving access to banking.

These are new business commitments that will help to drive real change. We've made solid progress since our announcement late last year, and are on track for a five-year commitment. We have already refinanced $2 billion in mortgages for black and Latinx households, and have funded investments and loans for an incremental 5,500 multifamily affordable housing units. We funded over $60 million (ph) investments in nine minority depository institutions, and we're building a foundation that'll help us grow our relationships in communities of color to meet our aggressive mortgage and small business commitments. We opened community center branches in areas like Crenshaw, Chicago, Minneapolis and Harlem, with many more coming in the next year.

At JPMorgan Chase, we consider our global workforce a competitive advantage and our people our greatest strengths. Our 160,000 U.S. employees work at offices and branches -- branches located in 38, soon to be 48 states this summer. Thirty percent of the new branches that are opening in new markets are located in low-to moderate-income neighborhoods, and nearly one third of all branches are minority census tracts.

For the third time in five years, this year, we increased entry-level wages to $16-$20 an hour, and we provide annual benefit packages, including medical and retirement, of $13,000 per person. Nearly 70 percent of the employees who started before 2017 with a salary of less than $40,000 are still at the company, and have experienced average increases of 40 percent.

We have made progress recruiting, retaining and promoting ethnically-diverse employees. Over the past five years, for example, we have increased the number of black senior leaders by more than 50 percent, and established a new program that holds managers accountable for their diversity inclusion priorities through compensation and performance evaluations.

Our country is poised for strong economic rebound, but we must ensure that the economic recovery benefits all and that we address long-standing equities that threaten the promise of America. Access to affordable health care and a -- an education system failing too many of our children, crumbling infrastructure, climate change and racial inequality are just some of the problems facing our great nation. All of us, government, business and civic society, must work with a common purpose to address these challenges. The actions we take together will determine the future of our country for generations.

I want to close by thanking our employees for their tireless work and singular focus in doing right by our customers. They have performed their jobs with integrity and commitment, often remotely, while navigating personal challenges.

I look forward to working with all of you, and look forward to helping our country. Thank you.

BROWN: Thank you, Mr. Dimon.

Mr. Moynihan is recognized. You're recognized for five minutes. Thank you.

MOYNIHAN: Thank you, Chairman Brown, Ranking Member Toomey and distinguished committee members.

Coming out of the financial crisis -- crisis, my 200,000-plus teammates helped transform Bank of America into a strong, straightforward, client-centric company. We focus on what we call responsible growth. That positioned us well to be a source of strength when the health care crisis hit. We were able to help our clients, and ultimately, the U.S. economy through the worst economic shock in recent history, while at the same time, increasing investments in support of our teammates and our communities.

For our client -- our clients, that included financial assistance through our business-as-usual work, and also helping deliver the timely federal relief programs across the board. We helped nearly 2 million consumers and small business leaders -- businesses defer payments on credit cards, vehicle loans and home loans. Even with a deferral, the vast majority of those clients remain current on their payments, a good thing. We provided PPP loans to nearly half a million small businesses. Eighty-three percent of those loans have gone to businesses with less than 10 employees, and nearly 40 percent have gone to businesses in majority-minority communities. We sent millions of e-mails to keep clients and help them understand the program, encourage them to apply and included targeted outreach to drive awareness to all communities. Apart from PPP, we remain the largest lender to small business, according to the FDIC, with $35 billion in small business loan balances, 60 percent of which is now in LMI communities (ph).

We also processed more than $73 billion in stimulus payments and took additional actions to help overdrawn clients (inaudible) their full payment without an offset. We delivered, through our nationwide branch network, one third of which are in LMI neighborhoods, and also through our digital capabilities. In 2020, as a complement to our successful SafeBalance checking account, we've launched BalanceAssist, a low-cost digital-only alternative, payday-type loans, allowing client need to borrow up to $500 for a $5 flat fee.

We also increased investments in our team during the pandemic. We extended many of the benefits, including support for mental health, (inaudible) for medical consultations and no-cost coronavirus testing. We offered teammates $100 per day to hire someone to come into their home and take care of their children or their adult dependents during the crisis. We have funded more than 4 million days for our teammates.

We implemented coronavirus testing and daily health screenings and installed more than 44,000 wellness barriers in our branches. We provide special compensation programs for teammates, including supplemental pay, enhanced overtime pay, as well as transportation and meal subsidies, and we had no layoffs in 2020.

We showed that (ph) all employees are compensated well. Last year, we increased our minimum hourly wage to $20, an earlier -- a year earlier than we had planned, and we'll raise this to $25 an hour by 2025. Vendors within the U.S. also are required to provide wages at -- at or above $15 per hour. Today, thousands of vendor employees have also benefited by this.

Since 2012, we have not increased medical premiums for teammates earning less than $50,000. For 2020, we provided special compensation awards in 97 percent of -- of our talented team globally, the fourth year we have done so in a row.

Maintaining our diverse and inclusive workplace continues to be a priority. Fifty percent of our management team and 50 percent of our board is diverse. More than half our global workforce is women, and set (ph) 45 percent of our U.S.-based teammates are people of color. We hired and trained more than 10,000 employees from LMI communities in the last three years alone.

MOYNIHAN: And finally over the last year we increased our investment to support our communities in the time of stress.

In June 2020 we accelerated our long standing work from racial inequity advancement (ph) opportunity to drive investments in jobs, small business, housing, healthcare in local communities.

We have committed $1.25 billion over five years and have already deployed $350 million of that, including equity capital investments in 17 MBIs and CFIs. Investments in 90 private equity funds runned by minority and women entrepreneurs and focused on minority and women owned businesses and donated 29 million masks and other PPE to underserved community centers.

We increased our homeownership program to help more than 60,000 Americans get into their homes in LMI neighborhoods. We raised that goal from $5 billion to $15 billion this year. We're also helping to accelerate the transition to low carbon economy.

We -- we are committed at Bank of America to achieve net zero greenhouse gas emissions before 2050. We're working alongside and supporting our clients in every industry to help them make that transition. We at Bank of America believe in capitalism and it's the best way to solve the challenges that are facing society.

We operate by delivering great returns for our shareholders and delivering for society. We call that responsible growth. Thank you.

BROWN: Thank you, Mr. Moynihan. Mr. Gorman, you're recognized for five minutes. Thanks for joining us.

GORMAN: Thank you, Chairman Brown. Ranking Member Toomey, members of the committee; thank you for having me here.

Last year none of us could have predicted the extraordinary public health crisis that would unfold around the world. We remain in the midst of this crisis and it has caused incredible humanitarian and economic issues leaving an indelible mark on many of us.

Our hearts go out to all of those directly and indirectly impacted by the crisis. In response to these extraordinary and challenging times we were focused on serving our clients and our communities and taking care of our employees.

We helped our corporate and institutional clients raise additional liquidity and obtain financing for their stability. We raised over $50 billion of capital for the industry sectors most affected by the COVID crisis; the airlines, the cruise, the travel industries. Our teams also helped raise healthcare capital for both Moderna and Pfizer, including a sustainable bond issuance by Pfizer to support patient access to medicines and vaccines, especially among underserved populations.

For our retail clients, we guided them to manage their investment portfolios amid extreme volatility. Today Morgan Stanley, through it's three businesses, provides a stable foundation of support in any market environment. In the institutional business for a financial advisor to companies, we helped them raise equity and their capital from taking them public to helping them issue bonds so they can grow and create jobs.

We help public sector entities raise municipal financing. We also help pension funds, mutual funds and other financial institution's trade and manage their assets. In our other two businesses, wealth and asset management, we're managing over $5.6 trillion of assets for households and institutions, including endowments and pension funds that manage the retirement of our teachers, our firefighters, and our public service employees.

For millions of U.S. households our services help families save money, whether it's for college retirement or to put a down payment down on their mortgage. Beyond their day to day core businesses we also support the more vulnerable in our community through philanthropy and employee engagement.

A number of well publicized events last year led to a heightened and necessary focus on racial and social justice and a recognition that explicit support and purposeful collective action will be required.

Some of our efforts over the past year include providing grants to minority depository institutions to bolster their loan loss reserves in the wake of the pandemic and to assist minority and women owned businesses to ensure an equitable recovery.

Most recently, we started a program to provide 60 students with four year full-time scholarships to Howard University, Morehouse College and Spelman College three of America's leading historically black colleges and universities.

In addition, we are concerned that how we deal with the climate of the next decades will have a profound social economic effect on our communities. Morgan Stanley recognizes the threat the climate change poses and we are working with all of our clients to find ways to mitigate its effect.

Finally, early in the pandemic, we committed to making no reductions in our workforce through all of 2020 and we stuck with it. We thereby provided reassurance to over 70,000 employees in this most extraordinary difficult time. I'm proud of the commitment that all of our employees showed to their clients and to our firm to navigate this past year.

Chairman Brown, in your letter dated May 7 of this year, you asked us to provide information on additional topics and we've concluded that in the attached addendum for brevity for this hearing. I now look forward to your questions.

BROWN: Thank you, Mr. Gorman. And thanks for answering the letter. I -- you all spoke all of you spoke about lending to small businesses and over the past year -- yet, and of the past year in the middle of the pandemic when small businesses and families have been desperate for loans, the amount of loans that your banks made has dropped.

Instead lending, instead of putting money into the economy, you've all said publically you plan to spend billions on buybacks and dividends. My question starts with Mr. Moynihan, your banks lending fell 14% over the last year. You just announced $25 billion in stock buybacks, but why not lend money to small businesses and families?

MOYNIHAN: Well, the good news, Chair Brown, is that we can do both. We can return capital to shareholders to help them enhance returns and at the same time, lending to small business.

For the month of May, we did $1 billion in first three weeks of May; we've done $1 billion dollars in new commitments to small business, that's up 29 percent. Not over '20 but over 2019 showing that we have it. We have a $35 billion small business portfolio, largest in the country. We continue to work carefully with them.

The reason why loans fell in the crisis are A, businesses did need the credit but also remember the PPP had a tremendous impact on demand for our clients. And as we did $35 billion of PPP loans that obviously caused less borrowing from our (ph) lines of credit to small businesses.

BROWN: Well, Mr. Moynihan, I -- you say you can do both, but you haven't done both. And during the -- during the pandemic, 5,000 community banks across the country, their lending went up 10 percent. Your job is to spur innovation and create jobs, you supposedly employee some of the best economic experts in the country. You're -- you just can't tell me you can't find a better way to spend $25 billion.

You could pay your workers more. You could do a variety of things to serve the community a little bit better than stock buybacks. Let me -- let me shift to Mr. Dimon. Mr. Dimon, at most of your banks the CEO makes -- for all of you -- but most of your banks the CEO makes 800 or 900 times your lowest paid worker.

So Mr. Dimon, help me understand this. I don't think either -- I don't think any of us in this panel or any of the senators asking questions thinks that you work 900 times harder than the tellers and customer service agents at JPMorgan Chase. So help me understand this, how did we end up here where CEOs are making 900 times what their -- some of their workers are making?

DIMON: We're very proud of the opportunity we give to all of our people here. Our starting wages are approximately at $35,000 plus medical benefits, retirement benefits, we take very good care of our people in terms of training and all that. My compensation is set by the board, they look at multiple factors and that's how it takes place.

BROWN: But these are workers that I fight for every day, the people that work at J.P. Morgan Chase in Columbus and around the country, 900 times there's just really no explanation. But let me ask it to each of you in another way. This will be a simple yes or no question. I appreciate many of you have raised wages, a number of you have mentioned that. I am appreciate -- appreciate when you raise your wages for contractors too, but your essential workers also need a voice in the workplace. So my question, yes or no, each of you set an example to every other company in America, companies that usually follow Wall Street's lead by pledging to remain neutral. If your employees want to form a union, yes or no. Mr. Scharf, start with you.

SCHARF: Chairman, we would work with our employees to make sure that their voice is heard and do everything we can to ensure that that voice is loud and clear.

BROWN: Will you remain neutral if they want to form a union?

SCHARF: As -- as I said, I think we want to engage with them and understand what their concerns are and have a deep understanding of that before we make any decision.

BROWN: Mr. Fraser, would you remain neutral if they want to form a union?

FRASER: We would certainly be supportive of our employees having as many opportunities as they possibly can.

BROWN: Mr. Dimon.

DIMON: No.

BROWN: Mr. Moynihan.

MOYNIHAN: No, we would allow them to have their voice heard in and see what happens.

BROWN: Mr. Solomon.

SOLOMON: I - we would allow their voice to be heard.

BROWN: Does that mean you would be neutral on forming a union?

SOLOMON: We'd allow their voice to be heard.

BROWN: OK. Mr. Gorman.

GORMAN: Like the others, we'd -- we listen to and respect what our employees want to do and we work with them in that.

BROWN: We know unions can do much to give women of people of color some power in the workplace. The decisions you make affect workers all over the country workers, workers whom your comp -- companies couldn't function without, you've acknowledge that. But the leaders make those decisions, don't reflect your workers, they don't reflect the country. A couple years ago, Congressman Al Green asked in a House hearing when your companies would be led by women and people of color, your banks have clearly not made enough progress. Mr. Gorman, you are one of only two CEOs who didn't believe there be a woman or person of color leading your bank in the next decade. Don't you have a responsibility to do something about that?

GORMAN: Absolutely. But I was asked a question and I answered it truthfully. The senior leadership at that point in time happened to be men, but we've since installed a woman as our CFO. Just last week we have a woman who is co-head of banking, we have a woman co-head of Asia, we have a woman who is head of all of Europe, Middle East and Africa, Chief (inaudible) Officer is a woman, our Vice-Chairman covering sustainability is a woman, and six of my 13 direct reports are people diversity. So I absolutely am committed to it, Chair, but I also happen to reflect the reality this organization's been built over many decades and it takes a long time for talent to rise to the top.

BROWN: So, I'll re-ask the question, over the next decade will one of those women be the CEO?

GORMAN: I think there's a distinct possibility, but I can't guarantee it, that's to the board. What I am doing is giving the board choices, not just who replaces me but who replaces that person.

BROWN: Thank you. We all need to do - you all you need to do more and we want to see permanent change, of course, as the country -- the diversity of this country needs to be reflected in the Senate, in board rooms, and CEO jobs. Senator Toomey, you are recognized.

TOOMEY: Thank you, Mr. Chairman. So I'd like to start with a simple direct question, and I hope you'll understand in the interest of time I'd love to get a yes or no answer. Although, Mr. Moynihan already answered this question in the opening statement that he made and he answered in the affirmative. And the question is simply do you believe that capitalism is the best economic system for producing the most prosperity for the greatest number of people. Mr. Scharf?

SCHARF: Yes, I do.

TOOMEY: Thank you, Mr. Solomon?

SOLOMON: Yes.

TOOMEY: Thank you, Ms. Fraser?

FRASER: Yes I do.

TOOMEY: Thank you, Mr. Dimon?

DIMON: Absolutely.

TOOMEY: Thank you, and Mr. Gorman?

GORMAN: Yes, I do.

TOOMEY: Great. And of course, obviously I agree on this. I am concerned that sometimes rather than defending this principle of capitalism, some of you have embraced so-called stakeholder capitalism, which really is something different than true capitalism and I would just ask you to reconsider this because stakeholder capitalism is meant to diminish the importance of a company's obligation to shareholders relative to other stakeholders and -- and I think that's a contradiction of the fundamental -- fundamental aspect of capitalism.

Let me - I - I'm -- one of the reasons I'm concerned about this is because the implied criticism of capitalism inherent in stakeholder capitalism also lends credence to these ongoing attacks that we hear. So for example, in March our Committee held a hearing entitled, "Wall Street vs. Workers: How the Financial System Hurts Workers and Widens the Racial Wealth Gap". We had a witness who argued to us, and I will quote, "credit debt itself provides a channel through which wealth drains from marginalized communities towards more affluent entities.

Its burdens are not equally distributed which exacerbates the racialized and gendered wealth gap". So I'd like to ask each of you but in the interest of time I think I'll just go to Mr. Dimon if I could and ask you to - I mean, is it your view that the credit that your institution provides drains wealth from marginalized communities and exacerbates racialized and genderized wealth gap?

DIMON: No. I think you've heard from all the CEOs here that we're making an enormous effort to try to get credit to marginalized, lower middle income, majority, minorities, black, small businesses, women of color, et cetera. And I we're doing a good job, we could always do more, we could acknowledge that there's some problems that need to be fixed but I think that we're all trying to do it the right way. But it is absolutely - does not -- is not -- was not caused by Wall Street taking credit from those communities.

TOOMEY: It seems to me, in fact, that access to credit is a necessary pre-condition for poor people to move up to the middle class on, not the other way around. Let me move on to an issue that's really important in my home state. As many of you probably know, Pennsylvania is now the second largest producer of natural gas among all 50 states and I have heard directly from constituents in this field that they are finding it more difficult to finance their business as a result, they believe, of commitments that financial institutions have made to reduce greenhouse gas emissions.

Now this is particularly ironic, because of course as we all know, natural gas is the reason that the United States has outperformed most of the rest of the world in reducing CO2 emissions, but nevertheless, they believe that they are facing more difficulty getting finance than ever before. Also, no matter what one thinks about the eventual arrival of the more widespread use of electric vehicles, the fact is piston-driven cars are going to be on the roads for quite a while, so we need a certain amount of oil.

So let me start with Ms. Fraser. My understanding is that Citigroup is committed to ending all financing for thermal coal companies by 2030, and frankly there might still be a need for some thermal coal after that date, but my real question for you is, have you established or do you plan to establish a similar policy prohibiting the financing of either oil or natural gas, aside from if the economics would dictate that you shouldn't provide the financing?

FRASER: Thank you for the question, Senator Toomey. Our goal is to support our clients responsibly and help them transition to cleaner energy, create jobs in the future. This is going to require investing into new technologies and helping them develop, so -- so what we're looking at doing is working with our clients in the transition, and to support them in doing so so that we can balance the evolution to cleaner (ph) energy.

(CROSSTALK)

TOOMEY: I understand all that, and that is -- but that is separate from my question, which is, do you now or do you plan to have, any time soon, a prohibition against financing the development of oil or natural gas?

FRASER: We don't plan to have a prohibition against this, no. We plan to help our clients in the transition to the cleaner carbon technologies.

TOOMEY: OK. Thank you, I think I'm out of time.

BROWN: Thank you, Senator Toomey.

Senator Reed from Rhode Island is recognized.

REED: Thank you very much, Mr. Chairman.

Let me welcome the panelists today, thank you for being with us today. In 2006, I was fortunate to work on a bipartisan basis to pass the Military Lending Act, which established a lending limit of 36 percent for all military personnel. And I have some firsthand experience, since I commanded a paratrooper company and was appalled that my troops were taken advantage of downtown, in trying to buy vehicles and payday lending, et cetera.

And this situation has been exacerbated by the pandemic, people have been laid off. I saw one story about a gentleman in his 40s who was laid off, he had to take care of his mother, he -- take care of his partner and their four children. And so he went out to a payday lender and got a loan, which had an annualized interest rate of 528 percent.

When I was a kid in Rhode Island, they didn't call that payday lending, they called it loan sharking. And the agents were typically burly gentlemen with no last names. I think we have to stop this. And so, Senator Brown and I have proposed legislation that would extend this protection to all Americans.

And I don't believe any of your institutions even come close to 36 percent interest, but in the spirit of trying to help unbanked people -- and I believe your efforts are very sincere -- would you support this effort on our behalf to extend the 36 percent limit?

Let me begin with Mr. Scharf and go down the list. I understand that Mr. Gorman does not have a retail operation, so I will excuse him for answering.

Mr. Scharf, please?

SCHARF: Senator, it's certainly (ph) something that we certainly would take a look at. I think it's important that we would want to understand the way specific legislation is written and how it would account for potential changes in rates, including material movements. But most importantly, to understand that there is access to credit in a responsible way is not lost. Because we are, as an institution, extremely focused on bringing the unbanked and the underbanked into the financial mainstream.

REED: Mr. Solomon, please?

SOLOMON: We have a relatively small consumer foot print, Senator. We would want to work with you in ensuring that in a materially different interest rate environment, you aren't (ph) closing off lending to anyone where you wanted to get lending. But in principle, we think it's good to have this transparency (inaudible).

REED: Thank you.

Ms. Fraser, please?

FRASER: Yeah, let me start by we absolutely don't charge interest rates that high for our customer bases (ph). We'd like to have a look at the law, just to (ph) make sure there are no unintended consequences to it, but we appreciate the spirit of it and the intent behind it.

REED: Mr. Dimon, please?

DIMON: Yeah, supportive, subject to a detailed review.

REED: Thank you.

And Mr. Moynihan?

MOYNIHAN: Like my colleagues also (ph), we'd have to see the law itself and in fact, one of the reasons why we created the new product we created is to help our clients be able to borrow for us with no interest and a (inaudible) fee line (ph) (inaudible) emergency basis to avoid the payday lenders. So the spirit of it, we understand.

REED: Thank you very much.

And final question to the panel, is that we understand that the foreclosure protection is expiring June 2021, this June, very soon. And there's about 2.1 million people who are 90 days behind in their payments, and they'll be at risk of foreclosure. What are each of you doing -- and I have very brief time -- to ensure that this forbearance continues, or at least to make aware of your borrowers of the rights they might have under the CARES Act for (ph) support?

And let me begin -- I'll start with -- since I didn't call on Mr. Gorman, let me call on Mr. Gorman and then go down the list.

GORMAN: Unfortunately (ph), Senator, this isn't a business that we're in either...

(CROSSTALK)

REED: All right.

GORMAN: ... in (ph) any (ph) way.

REED: You're excused, thank you, Mr. Gorman.

Can we start with -- we'll go in reverse order -- Mr. Moynihan, who I must confess is someone I've known for a while. Mr. Moynihan?

MOYNIHAN: Senator Reed, we (ph) will work with the clients, like we have been working with them. The good news is the amount of deferrals is way down and the -- most of the clients have become current, and we continue to work with them every day. So irrespective of the deadline passing, we'll continue to work with the few clients we have left to help them modify the loans, tack the -- tack the payments on the back end and go forward.

REED: Thank you.

Mr. Dimon, please?

DIMON: Yeah, I totally agree with Brian, Senator, that we've -- obviously no one wants to go through (ph) a foreclosure, it's a terrible thing. And we have extensive programs in place to help people -- that go beyond government programs, and we will work with each and every one of them to try to avoid foreclosure.

REED: Thank you. I believe I've been -- I've extended past my time, Mr. Chairman?

BROWN: Thank you, Senator Reed.

Senator Rounds from South...

(CROSSTALK)

REED: Thank you.

BROWN: ... is recognized.

Thanks, Jack.

Senator Rounds?

ROUNDS: Thank you, Mr. Chairman, appreciate the opportunity here and I'd like to take a moment just to point out that the largest banks in the world are not represented at the hearing here today. As it turns out, the four largest banks in the world are state-owned banks from China, and the fifth largest, by a small margin, is Japanese.

So before the Banking Committee ties itself up in knots about any of the controversial issues on the table today, I'd encourage my colleagues to keep in mind that we're all Americans, as are the firms who are represented here. We have a collective and strategic national interest in having a team of banks that are globally active and international leaders, but who are, above all, American.

The last thing that any of us should want, at least any of us that want to see, is a global banking system that's run by the Chinese government. That's the role we'll be continuing traveling down if we keep disparaging these firms or unfairly gold-plating international banking standards while China, Japan, and others run circles around us.

Mr. Dimon, I'd like to preface my first question to you, sir. As of last month, the consumer prices have been increasing by more than 4 percent year-over-year. This is the level of inflation that we haven't seen in over a decade. I'm concerned that the government's role in this could only be making the problem worse.

Can you share your thoughts on the outlook for inflation, and what role public spending and monetary policy are having?

DIMON: Mr. Senator, thank you for that, and also thank you for your comment and support of America's large successful banks, which are a critical part of having a large, successful economy. I'll just add to what you said, there is no large successful economy that doesn't have large successful companies, and, you know, financial services is - is an extremely important part of that.

And our competition, I'm not talking about next year but next three years are going to be Chinese, and - and then you can point that out. We've had un - we support what the government did in - early in the crisis. We think it stopped a massive financial crisis and possibly a depression at one point, but now you're talking about unprecedented continued fiscal and monetary policy kind of on autopilot.

All right, the good news is that we're going to have a very strong economy. We're going to have it this year. It can easily go into next year and maybe even 2023 as all that spending takes place. But yes, it will raise inflation. I think there was nothing wrong with 1.6 percent. You know, I would expect it to go considerably higher than that.

Hopefully it won't be out of wack and the Federal Reserve will be able to tamp it down, but, you know, we always plan for things worse than that. So I don't know what the future portends. I hope it doesn't go there. I think the other very important part of this is whatever money we spend that we spend wisely.

If we - if that money is wasted, is not productively spent, we will have more inflation, less productivity, slower growth, and the American democracy will have lost even more credibility, eyes to the world.

ROUNDS: Thank you, sir. In a few days, voters in Harrisburg school district in Lincoln County, South Dakota, we'll be going to the polls to decide whether or not approve a $60 million bond to go into school. If the voters choose to move forward, the Federal Reserve won't simply be cutting the folks in Harrisburg a $60 million check. It is a lot more complicated than that.

The institutions represented before us here today are the plumbing in the global financial system that make it possible for, just as an example, a Japanese life insurance company to perhaps invest in safe American municipal securities like the ones offered by the Harrisburg, South Dakota, school district.

Ms. Fraser, you not only have a footprint in South Dakota with Citibank, but you are one of the most globally active U.S.-based banks. Can you give or can you tell me about how institutions like yours help make public borrowing markets function?

FRASER: Yes, thank you - thank you for the question on this. As we talked about, the American banks play a very critical role in the global financial markets, and we support multinational companies, we support investors around the world, providing cool services for their operations, and part of that is making sure that there are opportunities to invest in job creating infrastructure and different projects around the world, and here in America.

And it would be a great shame if those jobs and that network were in other hands and in American banks.

ROUNDS: Thank you. I'd like to thank all of our - our witnesses here before us today, and I just think it's really important that we focus on the fact that they're all in competition with one another, but they're also in competition with other major banks around the world.

And the last thing in the world that we want to see is the influence of the United States becoming less and less because of regulatory and a chance to regulate them that would interfere with that would interfere with their ability to be competitive with other major banks throughout the world. Thank you, Mr. Chairman. My time has expired.

BROWN: Thank you, Senator Rounds. Senator Menendez of New Jersey is recognized for five minutes.

MENENDEZ: Well, thank you Mr. Chairman. Welcome to all of our - our guests today. Thank you for your appearance. I'd like to ask you each a simple yes or no question to start off with, do you think the economy, as a whole with better offers for low income and underserved consumers, were able to participate more fully in the formal financial system?

For example, consumers had a bank account, for example, rather than going to a check cashing place or a pawnbroker. Can I get a yes or no? I'm sorry?

GORMAN: Yes, absolutely.

SOLOMON: I would say yes.

DIMON: Yes.

FRASER: Yes.

MOYNIHAN: Yes.

SCHARF: Yes.

MENENDEZ: OK. So Mr. Moynihan, Mr. Scharf, Ms. Fraser, Mr. Dimon, have you implemented any no-cost, no fee initiative to help on bank consumers obtain bank accounts? A simple yes or no.

MOYNIHAN: Yes we have.

FRASER: Yes, we have.

MENENDEZ: Okay, what would those be? What would those be?

MOYNIHAN: We - Senator, we introduced a no overdraft account a few years ago. It represents about 30 percent of our new sales, especially to young people. It - it provides no ability of overdraft, which saves consumers, helps them manage their finances. It is available for $5 a month as a flat fee.

And for students and people under the age of 24, it's free, and, you know, that's the type of account is because this was the bank onset of accounts. We have about two and a half-million of those outstanding so far. As I spoke earlier about, we have our advantage borrowing product, which allows $500 emergency borrowing for a $5 fee with no interest.

FRASER: (Inaudible)...

MENENDEZ: Ms. Fraser?

FRASER: ... yes, thank you - thank you Senator. Similarly, back in 2014 we introduced an account called (inaudible) account, which provides - there are no overdraft fees, but it's very affordable savings and invest - and checking product. And we worked with entities like the National Urban League to make sure that this gets driven into some of the underserved and on bank communities, and do a big push to make sure that there's awareness of this product.

MENENDEZ: We'll be happy to look at some of your programs because this is a critical element of getting a very large part of the American society to be able to be banked and go - instead of going to the check cashing place, the payday lender or the pawnbroker. Mr. Scharf, Ms. Fraser, Mr. Dimon, do you have a small dollar loan product of $500 or less similar to Bank of America?

DIMON: We do not.

SCHARF: I do not believe we - I do not believe we have one Senator.

FRASER: We do not.

MENENDEZ: This is one of the critical elements of being able - I share Senator Rounds views that you're all important institutions, not only in our financial system but in our economy.

I share that from my perspective also as the Chairman of the Senate Foreign Relations Committee, I know our global competition, but I think that all of you have both the ability and my view a responsibility to bring more people into our financial system as a portal of entry instead of where they are, which relegates them to far lower opportunities in the future, and I hope you'll do that.

Let me ask you, I looked at the -- the lending that you all did, and particularly as it relates to -- COVID-related. Are you taking any serious and comprehensive measures to expand your relationships with small businesses? Any of you?

DIMON: I think we're, almost all of us, making extensive efforts, particularly making sure we open branches -- I think most of us have 25 or 30 percent of our branches in L&I (ph), majority-minority neighborhoods, most of us have small business programs with outreach in the (inaudible) CDFIs. Most of us have put money into equity or loans into NDIs who are in those communities. So, yeah, we're all making fairly extensive efforts. And I hope (ph) to (ph) do more.

MENENDEZ: Well, I looked (ph) at your PPP lending, and in fact, there is a disconnect between what I'm being told and the number and distribution of PPP loans, especially as it relates to minority-owned small businesses. So I'd like to call that all to your attention, maybe you're not getting the right information internally.

Let me ask you two final questions. I have been the biggest champion of diversity (inaudible). Do you all believe that it's necessary to seek diversity, particularly for the bottom line, from my perspective -- study after study has shown that? And do you believe in the public disclosure of your companies in terms of diversity on corporate boards, senior (ph) executive (ph) management? Yes or no would suffice.

(UNKNOWN): Yes.

(UNKNOWN): Yes.

(UNKNOWN): Yes.

(UNKNOWN): Yes.

FRASER: Yes.

(UNKNOWN): Yes.

MENENDEZ: And finally, do you believe that comprehensive immigration reform would (ph) help us build a more robust, stronger economy?

(UNKNOWN): Absolutely.

(UNKNOWN): Yes.

(UNKNOWN): Absolutely, yes.

FRASER: Yes.

MENENDEZ: Thank you, Mr. Chairman.

BROWN: Thank you, Senator Menendez. You got more questions in five minutes than I've ever seen any member of this committee, so.

Senator Tillis is recognized from North Carolina for five minutes.

TILLIS: Thank you, Mr. Chairman.

And thank you all for being here today. I first want to thank you all for the mobilization effort for the Paycheck Protection loans. I think it was Herculean. I know that financial institutions across this country saved countless businesses and millions of jobs, so I thought it was particularly extraordinary that you did it and were underwriting or taking applications before you really even knew the full rules of the road. So thank you for doing your part in helping us bridge the gap with COVID-19.

I would normally, in these committees, like to talk about business issues like some of the Fed supervisory functions that I think are inherently unfair, where you're asked to -- you're basically dealing with a Fed supervisor who's judge, jury and executioner without any due process. That's something I took up with Chair Quarles yesterday.

Btu today I want to talk about a subject that I would seldom bring up in these committees. Goldman Sachs, Bank of America, Citigroup and Wells Fargo signed a political statement, which ran in the newspapers. It read in part, "We should feel a responsibility to defend the right to vote and oppose any discriminatory legislation or measures that restrict or prevent eligible voters from having an equal and fair opportunity to cast a vote."

I don't think the statement specifically referenced the Georgia law, but that was what was being talked about in the press at that time. It was roughly the same time we were having a debate about the validity of the arguments, and I think that there's a fair basis for saying that that characterization, if it related to the Georgia law, may have been unfair and more of a political statement than an empirical observation of the statute.

Look, I -- the right to participate in politics without government reprisal is the cornerstone of an equal and fair opportunity to cast a ballot. Efforts to reduce political protections or allow a government to stifle dissent certainly seem antithetical to your statement when it comes to some of your global operations.

All six of your companies have significant presence in Hong Kong. Yet, over the years, the Chinese Communist Party has systematically chipped away at electoral rights for Hong Kong. Take, for instance, the National Security Law, passed just last year under the direction of the Chinese Communist Party.

Under this law, if an individual engages in activities (ph) aimed at dividing China, subverting the state or generally endangering national security, they face harsh penalties, often life in prison. This is enforced solely by the Communist Party-aligned National Security Committee, and does not allow a defendant to take their case through the regular judicial system, if there is such a thing in China.

This law is meticulously designed to prevent equal and fair opportunity to cast a ballot in Hong Kong. Hundreds of thousands in Hong Kong took to the streets to protest this law. And, correct me if I'm wrong, but I haven't seen any statements for your companies on this.

It was announced last week that the first person will be charged under the National Security Law, and they're going to face a trial without a jury. Instead of the individual going before a jury trial, they're going to go before a three-judge tribunal under the direction of the National Security Committee, a shocking departure from the common law traditions of Hong Kong.

I'm curious if any of you would make a statement today defending the right of the accused to a fair trial by jury, and not a politically suspect tribunal in Hong Kong.

That National Security Law is clear that it applies to all residents of Hong Kong, including expatriates and foreign nationals. You have an obligation to defend your employees, so I wondered, if an employee found themselves charged under this law, would you speak up?

Several of your companies are int he process of expanding operations in Hong Kong, even after the Communist Party has destroyed any semblance of democracy. Now, the Hong Kong legislature is working on bills to provide tax breaks, limit disclosure requirements and eliminate taxes on carried interest.

These measures are clear efforts by the community leaders to persuade businesses to remain in Hong Kong despite the political upheaval. A (ph) Hong Kong finance professor went on to say -- went so far as to say, "To keep these people around, we have to give them a tax benefit." The Hong Kong lawmaker said, "The signal to the business community is very simple: Stay out of politics." This is the stance of the Communist Party, and apparently the cost of doing business in China.

Whatever our failings, the United States clearly and unequivocally does not assert these costs (ph) to businesses who operate within our borders. The United States does not set up extrajudicial systems to deprive citizens of their right to engage in politics. And the United States does not seek to quash dissent, we protect it.

I hope you all keep these undeniable facts in mind, should you choose to weigh in on American political issues in the future. But if you do, I expect consistency across the globe.

Thank you, Mr. Chair.

BROWN: Thank you, Senator Tillis.

Senator Warren from Massachusetts is recognized for five minutes.

WARREN: There we go. Thank you, Mr. Chairman.

As the pandemic swept across our nation, bank regulators worried about the health of our biggest banks. So the regulators were generous. They gave the banks all kinds of help: they delayed compliance for important regulations, they relaxed standards, they even allowed banks to avoid paying overdraft fees if their accounts at the Federal Reserve had a negative balance.

Now, when asked why they were being so generous to the banks, the regulators explained that the banks would, in turn, help their customers. So how exactly did that work out?

At the start of a pandemic bank regulators issued joint guidance that recommended that banks waive overdraft fees for their own customers. In other words if someone was laid off for example and bounced a check the regulators recommended that the bank automatically waive the fees and let people get caught up without paying $35 time you stumbled. The same with...

(UNKNOWN): (inaudible)

WARREN: ... what the bank could do at the Fed if it overdrew its account. So let me ask the CEOs of the four banks - Citibank, Bank of America, Chase and Wells Fargo - the four banks that collectively manage tens of millions of checking accounts for customers. While you automatically and at no cost are at complete protection from overdraft fees at the Federal Reserve, could you please raise your hand if you gave the same automatic protection to your customers and automatically waived all of their overdraft fees?

OK, I'm not seeing anyone raise a hand, and that's because none of you gave the same help to your customers that the bank regulators extended to you, help that the bank regulators recommended that you did.

So let me focus in on this just a little bit here. Let me start with you if I can and ask the question about whether or not any of you if you didn't automatically waive - I just want to take this on down.

So let's take a look at who actually paid these fees. According to two charitable trusts, it's disproportionately working people making less than $50,000 a year, African Americans, Hispanics, people who are struggling to get by, and how much did they pay overdraft fees? They paid a combined $4 billion.

So let me start with you, Mr. Dimon. You are the star of the overdraft show. Your bank, J.P. Morgan, collects more than seven times as much money in overdraft fees per account than your competitors. So Mr. Dimon, how much to J.P. Morgan collecting overdraft fees from their consumers in 2020?

DIMON: So I think your numbers are totally inaccurate, but we'll have to sit down privately to go through that.

WARREN: It's a public number.

DIMON: And I also want to point out we did not overdraft...

WARREN: Can you just answer my question? How much did J.P. Morgan collect...

DIMON: We did not overdraft any - we did not overdraft - we did not overdraft at the Fed account, and at any request someone said they needed (ph) - they needed COVID relief...

WARREN: So you never - I'm sorry, Mr. Dimon. That was - Mr. Dimon, that was not the...

DIMON: ... they got $120 million (ph)...

WARREN: ... question.

DIMON: On your question (ph)...

WARREN: You had an automatic protection, so I'm asking you were recommended - the regulators recommended you offer that same kind of protection to your customers. How much in fact did J.P. Morgan collect in overdraft fees from their customers in 2020? Do you know the number?

DIMON: I don't know the number in front of me, but we...

WARREN: Well I actually have the number in front of me. I

DIMON: Upon request - upon request we waived fees...

WARREN: It's $1.463 billion. That's nearly $1.5 billion that you collected from your customers. Now do you know how much J.P. Morgan's profit would have been in 2020 if you would have followed the recommendation of the regulators and waived overdraft fees to help struggling consumers? In other words without that overdraft money would your bank have been in financial trouble?

DIMON: We waived the fees for customers upon request if they were under stress because of COVID.

WARREN: Now, I appreciate that you want to duck this question. Do you know how much the profits would have been if you had actually waived all the overdraft fees (ph) as the regulators recommended?

DIMON: We waived the fees every time (inaudible)...

WARREN: The answer is your profits would have been $27.6 billion. I did the math for you. So here's the ting. You and your colleagues come in today to talk about how you stepped up and took care of customers during the pandemic, and it's a bunch of bologna. In fact, it's about $4 billion worth of bologna, but you could fix that right now.

Mr. Dimon, will you commit right now to refund $1.5 billion you took from consumers during the pandemic?

DIMON: No.

WARREN: Right now?

DIMON: No.

WARREN: No. That's right. Over the past year you could have passed on the breaks that you got from the Fed to your customers, but you didn't do it. Everybody else here, those other three bankers, will any of you agree to refund the overdraft fees that you collected? I didn't think so.

So no matter how you try to spin it this past year has shown that corporate profits are more important to your bank than offering just a little help to struggling families even when we are in the middle of a worldwide crisis. Thank you, Mr. Chairman.

BROWN: Thank you, Senator Warren. Senator Kennedy from Louisiana is recognized for five minutes.

KENNEDY: Chairman (inaudible) Mr. Chairman, can you hear me?

BROWN: We can hear you now, Senator Kennedy. Go for it.

KENNEDY: Thank you. Thank you, sir. Mr. Solomon, did Goldman Sachs underwrite Saudi Aramco's IPO?

SOLOMON: We were one of the underwriters and Saudi Aramco's IPO. Yes, we were.

KENNEDY: How much did you make?

SOLOMON: I don't -- I don't know off the -- off the top of my head what our underwriting fees are, but we can certainly come back to you. It would have been millions of dollars, but I don't know the precise number.

KENNEDY: OK. Mr. Moynihan, did the Bank of America - was it one of the underwriters of the biggest oil and gas company in the world?

MOYNIHAN: Sir, I don't know off the top of my head, but like Mr. Solomon we'll get back to you wit the details.

KENNEDY: I think you were. I'll save you some time. Mr. Bets (ph), Wells Fargo, were you one of the underwriters for Saudi Aramco?

SCHARF: I don't know the answer to the question, Senator.

KENNEDY: You were. I'll save you some time. Ms. Fraser, how about Citigroup? Do you know?

FRASER: Yes, we were one of the underwriters, sir.

KENNEDY: How much did you make? Do you know?

FRASER: I'm sorry. I don't know how much that was, sir.

KENNEDY: OK. Mr. Dimon, were you - was J.P. Morgan Chase one of the underwriters?

DIMON: Yes, we were.

KENNEDY: OK. How about - how about Mr. Gorman, Morgan Stanley?

GORMAN: Yes, we were.

KENNEDY: OK, thank you. I wanted to ask Mr. Dimon a question if I could. I want to talk economics a second. Can we agree, Mr. Dimon, that firms ought to be taxed where they conduct their business and produce their profits as a general principle?

DIMON: Well global taxation's very complex, but yes as a general principle.

KENNEDY: OK. How - and I'm not holding you responsible, Mr. Dimon, but how do you account for the fact that today about 63 percent of multinational, American multi-nationals profits are booked in countries where they have only 15 percent of their employees.

DIMON: I honestly don't know the number, so I can't comment on it.

KENNEDY: Do you -- and -- and I'm -- I'm not trying to put words in your mouth, but obviously, what's happening is that American multinational companies are shifting their profits to so-called tax havens to minimize their taxes. Do you think that is a sound economic principle?

DIMON: I do not. I think that the last tax reform that was done actually stopped a lot of companies from doing that.

KENNEDY: Yeah, except...

DIMON: (inaudible)...

KENNEDY: I'm sorry. Excuse me.

DIMON: Except I -- I don't know what year you're looking at, but it did change substantially after 2017.

KENNEDY: Well, it didn't change that substantially. I thought it did, too, Mr. Dimon, but I -- I -- I'm -- I looked it up today, right now. If you -- if you take America multinational companies and take a look at their taxes, 63 percent of their profits, the big boys and girls, have -- have booked profits in tax havens where they only have 15 percent of their employees. Does that make sense to you, or is that...

DIMON: I don't know the numbers. I'll take your word for it, and I don't know if it makes sense or not. I'd have to do a lot more analysis than that.

KENNEDY: OK. Let me ask you this. I don't mean just to dwell on you. Let me ask Ms. Fraser.

Ms. Fraser, as you know, the Tax Cut and Jobs Act, we passed it in 2018, and we cut federal income tax from 38 percent to, I believe, 21 percent. Now, if you look at the -- the -- the Fortune 500 U.S. companies, the biggest companies in America, the top 500, of -- of those that were profitable, what -- what is their average tax rate?

FRASER: I can only speak to our own tax rate, Senator. I'm afraid I don't know the numbers for -- for other multinationals.

KENNEDY: What is your tax rate?

FRASER: Our tax rate is about 19 percent globally.

KENNEDY: OK, all right. I looked it up, and the average tax rate in 2018 -- that's when the -- the Tax Cut and Jobs Act took effect. That was the first year. The average -- and remember, the -- the TCJA cut federal corporate tax rate from 35 percent to 21 percent. The average rate for the Fortune 500 companies that paid taxes was 11.3 percent. That surprised me. Does that surprise you?

FRASER: Yes. I'm not familiar with the numbers, so I -- it does surprise me.

KENNEDY: And -- and -- and the tax subsidies in the bill -- I -- I looked this up, too. Twenty-five companies claimed one half of all of the tax subsidies in the bill. Five companies claimed 22 percent of all of the tax subsidies in the bill. I didn't know this. Those five companies are Bank of America, JPMorgan Chase, Wells Fargo, Amazon and Verizon. Does that surprise you?

FRASER: I -- I can only speak for my own company, sir.

KENNEDY: I'm way over time. Did -- did y'all -- did y'all -- did city -- Citigroup get tax -- get -- take some of these subsidies?

FRASER: I'm -- I don't know. I will have to get back to you, sir.

KENNEDY: Can I ask one more question, Mr. Chairman?

BROWN: Yeah.

KENNEDY: Mr. Solomon, here's my question: Not will we -- not will we, but should we, in your opinion, be using fossil fuels 20 years from now? Not will we, but in your opinion, should we?

SOLOMON: There's no question we have a transition going on with respect to companies trying (inaudible)...

KENNEDY: I -- I know that, but I'm going to run out of time because -- and our chairman's been real generous. Not will we -- in your opinion, should we be using fossil fuels 20 years from now?

SOLOMON: If the technology is available to allow us to use fewer fossil fuels and make the planet greener, and therefore, safer for everyone, and -- and we can -- we can -- we can, through those technologies, have businesses and power and energy that allows us to operate our economy efficiently, yes, that's something we should strive for. Whether or not we'll get there 20 years from now, you know, I can't predict.

KENNEDY: Thank you, Mr. Chairman.

BROWN: Thanks, Senator Kennedy.

Senator Van Hollen is recognized for five minutes, from Maryland.

VAN HOLLEN: Thank you, Mr. Chairman.

And I -- a number of you have been taking positive steps in a number of areas, and I want to see if we can use this hearing to encourage all of you and your banks to follow the best practices of some of the leaders. And I want to start with CDFIs and MDIs, because all of you have made statements supportive of CDFIs and MDIs. We are hearing increasingly from those institutions that debt capital is much less useful to them, less useful than equity capital. And I know in the case of Wells Fargo, that you recently announced equity investments in Harbor Bank in Baltimore. I just want to ask each of you whether you have recently made equity investments in CDFIs or MDIs, and if you have it, the magnitude of that amount.

DIMON: Just speaking for JPMorgan, we've invested $70 million into nine of the 18 black MDIs. CDIs are different, because they don't have equity, per se.

VAN HOLLEN: Right.

MOYNIHAN: We -- at Bank of America, we've taken five percent common equity positions, up to five percent in 17 MDIs and we're in a process of going through the other ones to see if they need the money. And then on top of that, we have $120 million deposits with the MDIs that provide their capacity, and $1.8 billion in balances into the CDFIs, up from $1.5 billion a year ago -- a year and a half ago.

VAN HOLLEN: OK.

SCHARF: At Wells Fargo, we've invested in 13 MDIs, almost $50 million, and have provided an extensive amount of financing to the CDFIs. We've committed $250 billion of our Open For Business funds, which (inaudible) from the PPP fees. Over $150 million of that has already been distributed, and they, in turn, can lever that up.

VAN HOLLEN: OK.

FRASER: And at Citigroup we -- we've invested $50 million in equity into MDIs, and we work with MDIs and CDFIs across the country in different protege programs, providing technical support to them, marketing and -- and -- and other talent-based investments, as well.

VAN HOLLEN: OK. There's -- there's no easy standardized way for, you know, the public to determine how much you all are investing in terms of equity in -- in MDIs or other investments, loans to CDFIs. Would any of you object to reporting to our committee on a regular basis, we can figure out what the interval would be as to where you are in making the kind of investments we are talking about? Any objections to that?

SOLOMON: No, no objection.

VAN HOLLEN: OK. So let me turn now turn quickly to the issue of stock -- stock buybacks. I know as we come to the end of this limitation period, many of you are talking about instituting stock buybacks. My -- my question relates to wages paid. You know I think if you have the capacity and the prophets to reward investors, I think at the very least, we should also be making sure that all of your employees are being fairly compensated.

I know that Bank of America has pledged to raise their minimum hourly wage for all employees to $25 by the year 2025. I just want to ask the rest of you if you're willing to make that kind of commitment.

GORMAN: Well, I speak on behalf of Morgan Stanley, were still certainly going to take a look at it. I discovered last night for the first time we have one employee on a minimum wage, one employee over $70,000. We have $7.50; I promise you that person is getting a raise. But the vast majority of our employees are well above the minimum wage.

VAN HOLLEN: No, I get that. I -- I'm just looking to see whether or not people will make a commitment to raise the minimum wage $25 per hour by the year 2025. If we could go down the list. Let me know if you are prepared to do that or get back to us on it.

GORMAN: We will get -- certainly prepared to look at it and get back to you.

SOLOMON: Speaking for Goldman Sachs, Senator, we have relatively few employees who earn below $25 per hour today, but we're prepared to look at and get back to you.

VAN HOLLEN: Thank you.

FRASER: I'm speaking for Citigroup, similarly we want to make sure that our people are paid fairly and competitively and I'm happy to get back to you on that specific question.

VAN HOLLEN: OK.

DIMON: Speaking for JPMorgan, we take very good care of our employees with training and medical and pension and dental and healthcare and everything that they need and we've we done a pretty good job going our own way. We're not going to imitate anybody else but we will be competitive.

VAN HOLLEN: OK. Well listen, I just, again, we're in this period where people are talking about major stock buybacks. It seems to me this is also an opportunity not just to demonstrate to your shareholders your ability to reward their investments but also to show your employees that you value their service and I think the $25 by 2025 is a -- is a very reasonable target for all of your institutions.

Let me turn finally to the issue of climate change and investments. I want to commend Ms. Fraser on her decision soon after she took over to establish a new important coal policy, stating that in terms of realizing Citi's net zero commitment by 2050, that they will exit all financing for coal power by 2030 and OECD and EU and by 2040 in the rest of the world.

If I could just ask all of the other CEOs here today whether you'd be prepared to follow the lead that Citi CEO has made in terms of protecting our -- our climate. Mr. Dimon, if we could start with you.

DIMON: I think we need a really -- a mature conversation on climate. We need carbon tax, we need industry policy. It's not just about banks stopping financing. We're going to need oil and gas for a long time; it could be made a lot cleaner. So the conversation should be how are we going to accomplish this in the right way? We can either accomplish reducing CO2 dramatically at no cost to a healthy economy.

If we do it the wrong way, we won't reduce CO2 going down because it will simply move elsewhere and we can damage the economy. So I just beg you, let's have a rational conversation, mature and thoughtful how to go about it.

VAN HOLLEN: Well, Mr. -- and we've been trying -- I've been trying this one to have a rational conversation for 15 years on this. And until recently, I've not heard the CEOs of major banks endorse the idea of a price on carbon. I know that's changed because of alternatives that are out there.

So look I think all of us have a part to play and I just want to ask that your other colleagues up here if the kind of example that at least Citi made in this particular area, and I understand there's oil and gas and other areas, but with respect to coal whether you're -- you're willing to make those kind of commitments?

BROWN: Yes, please be very brief in your response.

GORMAN: My response is I'd like to see what the alternative sources of energy are, which are essential to the economy. We're all trying to get away from coal dependency. The simple question is timing and alternatives and the economy isn't held up as a result of it.

MOYNIHAN: Senator, speaking for Bank of America, our policies are our republic (ph) domain on various types of coal and other things but importantly, I think, what we're all saying is we're here standing ready to help our clients make this transition and bring trillions of dollars of financing across this group in a way that helps those clients that produce energy to do what they do -- they need to do. And they have announced their plans to do so.

So I think that's critically important. That's the value of these big banks stepping up to help all the clients; large, medium, and small make the transition.

SOLOMON: I would echo the -- I would echo the -- the comments made by the other CEOs. We're working with our clients on the commission -- on this transition. We've made commitments around our own carbon emissions that we've publish publicly and we continue to be focused on wanting to have a constructive conversation about how we can improve emissions going forward.

SCHARF: And for Wells Fargo, I agree with everything that has been said and just stress it's -- it's all about assisting our clients on the transition that we know has to occur.

VAN HOLLEN: Thank you, Mr. Chairman. And I hope everyone will support the American Jobs Plan, which is working together to get it done. Thank you.

BROWN: Thank you, Senator Hollen. Senator Scott of South Carolina is recognized for five minutes.

SCOTT: Thank you, Mr. Chairman. And I appreciate you recognizing me for the five minutes. Questions for the entire panel. I know that Senator Toomey had a question about capitalism versus stakeholder capitals and I'd add to that world capitalism that seems to be running amok throughout the financial institutions of our country.

It seems that you all are very comfortable picking winners and losers, specifically those who signed the letter in opposition to Georgia. That would be Bank of America, Citi, Wells Fargo and Goldman Sachs.

Picking winners and losers in certain areas, especially in election law, I just want to understand your position on that very important law because I, as a southerner and African-American, who has voted in the south all my life would hate any form of discrimination, anything that restricts voting rights, what part of the Georgia law restricted voting rights was discriminatory? Any of the four that signed the letter.

MOYNIHAN: Senator Scott, you know our company signed that letter based on the input from our -- our EFG (ph) committee and our team mates about how they felt when the law came in. You know in our view, as a company, we believe that there ought to be an consorted effort to get the set of standards that we can all agree to because all of us, and including what you just said, is the access for people who are eligible to vote to vote is paramount to having a great democracy.

So it came out of our teammates like we make a lot of these decisions, expressing grave concern. And so --

SCOTT: Let me just - I understood what you said, Mr. Moynihan, and I appreciate your comments but my question is what part of the law was discriminatory? What part of the law to restricted -- if you are if you are actually increasing the number of days of early voting, if you're actually codifying a law, drop boxes that were not part of the law.

If you are actually making it easier to vote but harder to cheat, what part of that law was discriminatory or restricted access? I have been -- I have been studying that law and that's one of the reasons why I ask that question because from my perspective, and frankly from the words on the paper, (inaudible) paper, maybe not worth much but those words are very powerful.

It did not prevent anyone from voting and frankly it made it easier to vote earlier and I just am dumbfounded by what the answer to the question was, yes, we support capitalism, but the stakeholder capitalism or the woke (ph) capitalism seems to be running amok. I say that because it -- I can't find anyone who answer the question specifically giving me any examples of specific provisions of the law that we don't support.

But at the same time we will discriminate it seems against industries that we don't like. And that's where that stakeholder capitalism comes into play is because banks benefit from a number of explicit and implicit government protections and subsidies all backed by U.S. taxpayers. So if it is - if it is legal and constitutionally protected, the Second Amendment, why would you refuse to bank companies that are in the industry? That I do not fully understand.

So it seems like picking winners and losers in the -- in -- in -- in companies and you're diving into choosing which laws you want to uphold and which laws you find offensive but you can't articulate a position on why those things are offensive. It just seems confusing to me that one would say I support capitalism but I'm doing these things that are inconsistent with the statement that I support capitalism, and that I cannot articulate a single reason why I would not support -- why I oppose the laws in Georgia or why I oppose funding or financing the oil industry or -- or -- or the manufacturers of guns.

I just find it to be disheartening as a former member of some of the institutions as an account holder and a member of others, why it is that you all have taken such a strong clear position but can't or won't articulate the reason for the position. Well, Mr. Chairman, I thank you for the time and have a good day.

BROWN: I thank you, Senator Scott. Senator Warner from Virginia is recognized for five minutes.

WARNER: Well, thank you, Mr. Chairman. I don't want to litigate the Georgia law with my good friend Senator Scott from South Carolina, who -- we worked on a lot of projects together, but I would start with the fact that being the Georgia law that makes it illegal for someone to voluntarily give somebody a glass of water. If you are waiting for hours and hours in line to vote, those runs counter to any kind of basic notion of fairness in American democracy.

And there are a host of issues that I think why reasonable people, not just through (ph) civil rights organizations, but from business organizations across the round have said in the year of 2021, cutting back on voting rights should not be how our country ought to be moving forward. I want pick up on -- on -- on some of the questions that Senator Van Hollen -- and I've talked with most of you guys, know you, you know I am not -- I don't come in with an immediate bias against you, but I think we got to put up -- you guys got to help put up more than you have.

The wealth gap in this country should scare the hell out of all us. How you guys have come through COVID, and you and I already argued part of that, due to some of the Dodd Frank reforms. We all capitalized, you all came through - we lost 40,000 black businesses last year. We've seen huge swaths of Latina businesses around, lots of small businesses in Appalachia as well. One of the areas that we have, and I've talked to most of you about this, is to develop a financial institute, the CDFIs.

The Federal government, finally, and I've got to give former Secretary Mnuchin some credit for this and for people like Senator Scott, who was a partner on this, we put up $12 billion to both help CDFI to lend to disenfranchised communities and low and moderate income communities. We put up $12 billion, $3 billion in grants, $9 billion in Tier 1 capital. With almost all of my conversations with you guys or your -- your facsimiles, you've always had some kind of regulatory reason why you can't help CDFIs or can't do more.

I'm going to need you to lean in on this issue going forward, not just with CDFIs, I see each of what you guys have -- have -- I read about almost each of your institutions in many of the daily political rags that come out talking about what your institution is doing to help this advantage. What I don't see though is how do we get a quarterly update on this?

I really think there is a moment in time right now where whether it's work with CDFIs, whether it's a housing proposal that we've been working, hope to get the Chairman on board with as well that would actually create a 20 year mortgage product and if you're a first-generation homebuyers that would double the rate of wealth accumulation. And we tried to price this as with an interest-rate subsidy that would - you could still make do, $900 dollars a month, you know, mortgage payment on a 30 year note, you'd have to be getting (inaudible) 20 year note. Trust me on the math on this.

We're going to need you to lean in. We're going to need you to be much more participatory and again, no disrespect to the great ads that run about what each of your institutions are doing, but we got to really I think up our game. And if there are regulatory changes that need to be able to make sure you are able to put some Tier 1 capital into some of these institutions, if there are other tools, I would love to work with you. But we've seen the kind of disruption that takes place, that's taken place in our economy over the last year.

I think you guys can definitely be part of the solution. I appreciate some of the programs you've put up, but I am asking you on a generic basis to be willing to engage with me and others who care about trying to do something on a systemic basis, both on the wealth gap in this country and on the access to capital issues. As we showed with PPP (ph), well-intentioned program, but the number of minority or women-owned businesses that got those first rounds because they didn't have prior banking relationships is - is -- was huge.

And I know my time is about up but I will be back to all of you on an individual basis and want to continue this conversation. Last thing I want to raise though, I think I've got - trying to look desperately for the clock here. I think I've got one -- what has not been raised yet, I think for (ph) many of our colleagues, is the questions around cyber.

We -- the country finally saw, with the Colonial Pipeline ransomware attack, how -- what a challenge cyber can be. Think about the fact that the Russians were in (ph) 18,000 companies with (ph) the SolarWinds attack, that, if the Russians had decided to launch that kind of attack through SolarWinds rather than the one-off ransomware, it would have brought our economy to an end (ph).

You guys in the financial sector have done a pretty good job, but we're going to need you, again, both weighing in on, I believe, the need for mandatory reporting requirements so that public and private sector can sort through this, finance sector's got some of that.

And we're also going to need to -- and I know many of you have started looking at this -- look at this -- the challenges around cryptocurrencies. Because, as we all know, that is the ransomware payment methodology of choice.

We worked (ph) with all of you, and Senator Brown, leadership, Senator Crapo (ph) on the issue of the Anti-Money Laundering, Beneficial Ownership bill we put in place last year -- again, with your help. But we're going to need to partner together on this issue around (inaudible) and the issue around cyber.

And since I can't see -- Chair, do I -- is my time up (ph)...

(CROSSTALK)

BROWN: Your time has expired, your time has expired...

(CROSSTALK)

WARNER: Well, I will be back on both those. Thank you so much and look forward to...

(CROSSTALK)

BROWN: Thank you, Senator Warner, thank you.

Senator Shelby is recognized from Alabama for five minutes.

SHELBY: Thank you, Mr. Chairman.

In recent years, activists and others have applied increasing pressure on our nation's largest banks to withhold offering banking services to certain types of businesses including energy companies and gun manufacturers, among others, for political reasons.

Many banks have responded by restricting credit and financing to those businesses. However, restricting access to capital for law-abiding companies results in higher costs for consumers and slower economic growth.

My question to the panel: Do you believe that political pressure or political motivation should influence a bank's decision to provide an entity access to capital? Or should a bank's decision be to approve or deny credit (ph) or services be (ph) based on an impartial and risk-based analysis?

Mr. Dimon, I'll call on you.

DIMON: I think most of the decisions we make are based upon risk-based (ph) analysis and whether we think financing an industry would be bad for our company or not based upon the risk that we take on. And so we do have to make decisions, and all of us make different decisions. I think if the government passes a law, we follow the law.

SHELBY: Anybody else?

No other comments?

Well, I'm getting into another area too that we'd all better be concerned with, and that's the federal debt. The federal debt is currently over $28 trillion. The Congressional Budget Office projects debt to reach 102 (ph) percent of GDP by the end of this year, and 200 percent -- yes, 200 percent of GDP -- by 2051 under current policies, unless there's changes.

Are you concerned about the nation's growing federal debt, and what -- what impact does an unsustainable level of debt have on our economy, as well on your banking system or our banking system?

Mr. Dimon, do you want to take that?

DIMON: I don't want to, but I will.

SHELBY: I know that, I (ph) know (ph)...

(CROSSTALK)

DIMON: You know, it's not an immediate concern, that 102 percent. The country has enough wealth, enough income. But we do need to grow, we need rational policy. It will become an issue at one point, when you have that dramatic growth sometime in 2030 to 2040. And so I think it's much better to try to deal with that issue today than it is to deal with the issue down the road.

SHELBY: Mr. Gorman, are you still with us?

GORMAN: Yes, sir.

SHELBY: You got the -- you've got a feeling on that?

GORMAN: I don't like debt, so that's my primary feeling. And I don't like the debt when it gets over 100 percent. Listen, there are a lot of ways to solve this, you can reduce your spending, you can raise the taxes, or you can make corporations more profitable so they generate more taxes. And finding that balance -- and that's, you know, the awful (ph) job our legislators have to help us work for (ph).

But yes, I'm concerned about it. I think there's a limit at which you can't rely upon the goodwill and largesse of the rest of the world to buy that debt, and that starts becoming a strategic issue for the country eventually. We're not there -- Jamie's, in my opinion, dead right -- but I wouldn't like to see this play out for another decade like this.

SHELBY: Could that have an impact on the concept of the U.S.' currency as the number-one trading currency in the world? China's looking at all this.

GORMAN: I think it'll take a long time for that to happen. You know, in general, when you see the world get in trouble, the U.S. dollar becomes the flight of security, where people go for safety and soundness. I think it's going to be a very long time. The U.S. economy is a nearly $20 trillion economy and has a tremendous system of law, so I think that's a very long time away. But that doesn't forgive us taking any (ph) lack of discipline simply because, as I said, taking that for granted.

SHELBY: I know you're not on -- you guys aren't on (ph) the Fed, but price stability is important to all of us, that is one of the top mandates of central banks, is price stability including our own. As we continue to pile on the debt and pay interest on the debt, pay nothing down -- bring it down, does (ph) -- it's got to have serious consequences in the road ahead.

Mr. Gorman, do you disagree?

GORMAN: Well, no, I agree with you that it's a level of debt that's unsustainable. Right now, though, what we need to do is get this economy back to its primacy, which it is on the way for. The low interest rates, some of the fiscal stimulus is obviously helping that, but it's not an unlimited pool that we can draw on. It's a pool (ph) that (ph)...

(CROSSTALK)

SHELBY: Thank you.

GORMAN: ... crisis.

SHELBY: Thank all of you.

BROWN: Thank you, Senator Shelby.

Senator Cortez Masto is recognized for five minutes, from Nevada.

CORTEZ MASTO: ... Chairman, thank you so much.

Thank you to the panel members, I appreciate some of you -- I've had the opportunity to talk with last couple of weeks, thank you for taking the time.

But let me start on an issue -- I don't think it's been addressed yet -- but foreclosure prevention. Let me ask you, you know, there's about 2 million families who are at least 90 days delinquent on paying their mortgage. Millions of people's jobs disappeared overnight because of the pandemic, and that is more so in Nevada than anywhere in the country. At one point in time, we had the highest unemployment rate because of this pandemic.

Four percent of borrowers haven't been able to pay their mortgage. So, for the bankers, what are you doing to work with them to keep them in their homes? Can you talk a little bit about what you're doing to address and help them when they are bumping up against foreclosure?

And I don't know who wants to start. Wells Fargo?

SCHARF: Sure, Senator. So first of all, for the loans that we own, we have extended our moratoriums for foreclosures and evictions until the end of the year. We've also come out and supported publicly the CFPB's proposal to extend those more -- those moratoriums to apply to the whole industry, which, for us, would impact the loans that we service, and we certainly encourage other agencies to align to those policies.

For those that are exiting forbearance, I would say one of the -- you know, the most important thing is we're -- we have very aggressive outreach through all communication channels. We have many modification programs that are available for customers in need, and what we need to do is be in this close contact to them before they get there as we possibly can. So we're doing it ourselves and we're working with outside groups, as well. And certainly, if customers can resume payments, that's -- that's terrific, but if they can't resume them, we have, you know, a significant number of modification options to work with them.

CORTEZ MASTO: Thank you.

Mr. Moynihan?

MOYNIHAN: Similar things to Mr. Scharf's comments in terms of, we -- we contact the borrowers up to -- before they reached (ph) -- and work to modify them, to add on to the back of the loans and it -- you know, there's a (inaudible) suspension of all foreclosures, obviously, through the end of the quarter here, and -- but we work those clients.

The good news is, quite frankly, is the number of people who are still at our -- at our company are -- is down dramatically, like by 90 percent, so we're working with the remaining ones. Many have cured. Many were current even though they asked for deferrals, and so we'll continue to work with every one of the clients that, you know, as -- as Mr. Dimon said earlier, it -- you know, taking someone through -- to the foreclosure process is not what we -- we want to -- it -- it is what we want to avoid at all cost.

CORTEZ MASTO: Thank you. I appreciate that.

Mr. Dimon?

DIMON: I -- I would just repeat what they said. We work -- first of all, it is down about 90 percent, and we have several modification programs, and anyone who's getting close to foreclosure, we work with -- that -- where we own the loan -- we don't necessarily control when we don't own the loan. We work with them to try to find many programs to defer payments to help them through with their tough time.

CORTEZ MASTO: Well, I appreciate that. And really, coming from Nevada, I was attorney general at the time, working with many of you to address the foreclosure crisis we saw, we have opportunities and services in the state of Nevada that I hope you're also taking advantage of to help homeowners.

But the good news -- yes, they are down 90 percent, but there are still several homeowners in Nevada because of this pandemic that are still struggling, and not back to work yet because of the nature of the hospitality and travel industry. So I'm hoping, please, that you are -- are working with them and the various community organizations that are out there, as well.

But let me -- I don't have much time, so let me jump to another issue that is important in my state, and I -- I -- I believe Senator Van Hollen talked a little bit about this. And I appreciate the investments your banks are making in minority depository institutions and community development financial institutions. However, I am aware that these entities exist unevenly across the nation. Nevada has no MDI headquartered in the state. There is only one certified CDFI in Nevada. In the past 30 years, we have only had eight awards to a Nevada-based CDFI. We are the only state with a single-digit awards amount. And by contrast, 22 states with a smaller population than we have in Nevada have received many more CDFI awards.

So my question to all of you is, how can you ensure and work to ensure that states and communities without a robust network of minority depository institutions and community development financial institutions benefit from the racial equity investments that we have made, and that you have promised? And that's open to all of you, and I don't -- I don't know if somebody wants to start.

Ms. Fraser?

FRASER: Yeah, I think one of the obvious areas that we've talked about is affordable housing, and the -- and the connect (inaudible) in terms of closing the -- the racial wealth gap. Housing is going to be a very important part of that. Seeing the past programs getting extended would make a big difference in making sure that that -- that market and those programs can reach as many people as possible, and that would remove one of the constraints at the moment.

CORTEZ MASTO: Anyone else?

SOLOMON: I would -- I would comment, Senator, that I -- I -- you know, I think your comments here that we need to work to strengthen this across the country are -- you know, is -- is appropriate. They are uneven across the -- the country. We continue to work to partner with other (ph) -- with CDFIs and in our new initiative, where we've committed $10 billion to close the racial wealth gap for black women in this country. We're making investments, you know, across the United States through all 50 states, but we'd be happy to work with you to find ways that we could have a larger benefit.

CORTEZ MASTO: Thank you.

I know my time is up. I will submit the rest of the questions for the record. Thank you, everyone. Thank you, Mr. Chair.

BROWN: Thanks, Senator Cortez Masto.

Senator Hagerty from Tennessee's recognized for five minutes.

HAGERTY: Chairman Brown, Ranking Member Toomey, thank you for holding this hearing.

During the pandemic, our financial sector, including large banks, community banks, credit unions, farm credit lenders, fintechs and all of their employees showed why the private sector is often much more efficient than the government in solving bipartisan problems.

For example, the PPP we've talked about mobilized our nation's private lenders last year; distributed over $300 billion to save small businesses, and they did it in just 14 days. Compare that with the four-plus months that the Biden administration has taken on the Shuttered Venue Operators Grant fund. They still haven't distributed a dime to save struggling small businesses in my home state of Tennessee.

America's financial sector is the envy of the world. It's the most robust. It's the most efficient. It delivers the greatest liquidity and financing at the lowest cost of capital anywhere. But our financial sector won't remain the envy of the world if American businesses and employees have to pass a political litmus test in order to secure the capital necessary for growth. We didn't develop the greatest capital markets and financial system in the world by letting extreme social ideologies dictate business decisions.

What we're seeing today is the debanking of financially-sound, legal American businesses that support millions of American workers. This is happening simply because these companies are in industries that are politically-unfashionable in some places. This debanking will either force those companies and their jobs to other countries, or worse, it will put those American companies and their workers permanently out of business. In the long run, this is going to be very detrimental to American workers, American businesses and our markets.

Private corporations that you all run can make their own decisions, but you should expect heavy scrutiny when leaders use politics as the drive for business decisions that may harm American businesses and American workers. I hope that our largest financial institutions will set the standard for nondiscriminatory business practices and keep politics out of finance.

My first question, I would like to -- to turn to Ms. Fraser. I want to follow up on something that Senator Warner started on. You and I have actually talked about this in the past, but it -- I want to come back to the cyber attack of SolarWinds, the ransomware attacks on our Colonial Pipeline, and also, one of the largest U.S. insurance companies recently had a cyber attack. These are highly serious cybersecurity vulnerabilities that have been exposed in our infrastructure.

We're also seeing a lot of fraud and hacking in the cryptocurrency area. You and I talked about that as well a few months ago. And Citi is a very global bank. It's got operations and customer interactions increasingly moving into the digital space. I want to be sure that all of you are laser-focused on these risks.

Ms. Fraser, what are some of the biggest cyber-security risks that you're seeing around the globe? And, second, how can we improve government coordination with the private sector to address this?

FRASER: Oh, it's -- thank you for the question, I think it's one that keeps all of us up at night as one of the greatest risks to the financial system right now.

This can be perpetrated by government actors, by organized crime, and a whole variety of institutions and individuals trying to cause some harm. I think it's very critical that we continue sharing intelligence about what is going on, making sure that there's plenty of forums in which we can -- we can share intelligence about what's happening and why so that we're able to protect our institutions, that we continue making major investments.

Our own firm invests almost close to a billion dollars a year in cyber-protection, and that the -- that the intelligence that the U.S. has is something that we use to defend against attacks on American companies and the financial institution worldwide is absolutely critical.

HAGERTY: Well, as Senator Warner (ph) mentioned and I do as well, we share great (ph) concerns about the vulnerability of our financial services system on cyber-security, and we also are watching very closely, what's happening in the crypto-currency markets.

And as Senator Warner said, he wants to work with all of you in addressing this, I do as well. So you've got bipartisan support here int he United States Senate to address this significant problem. And I think with our largest banks, we can make significant progress and set the standard, frankly, for our entire financial system. So I look forward to working with all of you in this regard.

Mr. Chairman, thank you.

Mr. Chairman, I yield back my...

BROWN: Thank you, I -- this thing froze, sorry about that. Thank you, Senator Hagerty.

Senator Smith's recognized from Minnesota for five minutes.

SMITH: Thank you, Mr. Chair.

And thanks to all of you for being with us today, appreciate it. I'd like to dive in a little bit on this issue of climate risk disclosure. So in February, when Fed Chair Jay Powell testified before our committee, in response to a question that I asked, he said, quote, "Clearly, we ought to be going to more of a template and more standardized," unquote -- a template for climate risk disclosure.

And you know, for most people what this would mean is an SEC rule requiring public companies to disclose their climate-related risk in some sort of a standard and comparable way so that people can see across, you know, kind of see what that risk is across different organizations.

And I know that your firms consistently assess risk, including climate risk. So let me just ask each one of you, if you would, yes or no -- and if no, why not -- do you think that the SEC should issue a rule setting out some sort of standardized climate risk disclosure framework?

And I'll start with Mr. Scharf?

SCHARF: Senator, I mean (ph), first of all I'd say I'm proud of the steps that we're taking on disclosure. I actually don't know enough about different industries to know whether -- that that is the best approach or not. We've been very focused on developing our own sets of disclosures and understanding how we're going to measure different aspects, and certainly something we can think more about and come back and talk to you about.

SMITH: OK, well I'll come back to that.

Mr. Solomon?

SOLOMON: Yes, I appreciate the question, Senator. It's something that -- that we would be open to. But I think it's very important that you're very specific about the form it takes, and in particular the consistency across regimes. This consistency issue is, I think, a very, very big issue. That'll be very, very important, we'd be happy to discuss that further with you.

SMITH: I agree with -- I think that's right. You said the point here is that you would have some sort of assessment of what material (ph) is, and that that can be clear so that it's not just everybody picking their own idea of what material is.

Ms. Fraser?

FRASER: Thank you very much. We voluntarily made a large amount of disclosures on this. I'd defer to the SEC as to what they believe the details of it should be. And, as Mr. Solomon said, there's great benefit from consistency.

I think we also have to recognize there isn't a lot of data out yet, and so whatever system's put in will evolve over time, as we get better quality data and better understanding of this, going forward.

SMITH: But having a standardized rule so that it can be comparable across platforms makes sense to you?

FRASER: If (ph) the consistency element is critical, yes.

SMITH: Mr. Dimon?

DIMON: Well, you have to put this in perspective a little bit because we make a tremendous amount of disclosures already, (inaudible), so we're not against it, we're in favor of that kind of thing. And very often, we're required (ph) -- have to make more disclosures. Our 10K is already 400 pages long and most people don't read that.

So yeah, I'm in favor of it but you've got to be very, very thoughtful about what it is, what you're trying to accomplish and how it is not just done for banks, but is done for other critical industries in the right way, to accomplish the goals you actually want to have.

SMITH: Right. The point that that would have -- be (ph) something that would be standard and consistent that would allow people to, you know, disclose consistently would make sense to you? Thank you.

(CROSSTALK)

DIMON: Yes, but you wouldn't (ph) be able to do that immediately.

SMITH: OK, OK.

In the interest of time, I want to just skip to one other thing that I'd really like to talk about because I think it gets to this question that has been coming up around -- from some of my colleagues on the other side, about this so-called wokeism.

So here we go. Last year, the Department of Labor issued a rule under the Trump administration Department of Labor, that sharply limited the circumstances in which pensions, 401(k) plans could consider environmental or social or governance factors in their investment decisions, which mean that, in effect, most 401(k) plans wouldn't even be able to offer workers the option of keeping their investments away from companies that discriminate against their workers or support polluting industries, for example.

So to me, this seemed like a politically motivated rule. And it has also imposed a difficult, unnecessary burden on plans. Now, I have introduced legislation that would undo this Trump rule. In fact, the Biden administration has moved forward administratively on this.

My question to you -- and I will just maybe go to the two that I didn't have a chance to hear from before -- do you think that the Trump administration was right to repeal (ph) that rule? Or do you think it would be -- it is reasonable to have a standard for allowing plans to consider ESG factors if that's what their investors are asking for?

Mr. Moynihan?

MOYNIHAN: Well, Senator Smith, I'll tie this back to the last question, which is public companies have (ph) worked together with the big four accounting firms, accounted (ph) for this set of metrics and standards that 80-plus companies have signed onto.

The key is to standardize this, and the key is to bring these metrics together and that would allow people to be judged across industries and across investments on ESG factors. That is out there, we've disclosed it, 80 other companies have signed up to disclose it.

And I think that feeds into the question with -- with the demand of the investors to understand these factors, a consistent, straightforward, simplified set of disclosures that could cross industries is needed. And that would then not require rules about what to think about because the investors could actually see and make choices.

SMITH: Thank you.

Mr. Chair, I know I'm out of time. I just want to observe that I just disagree with my Republican colleagues on this broader issue. This isn't about being woke. This is about providing individual investors and -- the individual investors with the information that they want in a clear and understandable way. And I think that that is a good thing for stability and it's a good thing for the markets and good thing for people. Thank you.

BROWN: Thank you Senator Smith. Senator Cramer is recognized from North Dakota for five minutes.

CRAMER: Thank you Mr. Chairman and thank you to our panel. Special thanks to the five you that have reached out and I was able to meet with in the last few weeks. Mr. Gorman, I'm looking forward to doing that in the future with you.

I found the meetings to be productive, frank and even encouraging. So thank you all for that.

You've answered a lot of questions today about your ESG policies. I think there's been some clarification. I'm going to -- I'm going to try to ask some real specific questions that might help inform me a little more.

The first question I'd have for all of you is, do you think U.S. energy investment -- or do you think that reliable energy, reliable electricity is important to the United States economy? And you only have to answer if you say no. Is reliable energy important to our economy?

(OFF-MIKE)

So let me ask -- let me ask this, do you think global energy demand is going down? Does anybody think global energy demand is going down?

(OFF-MIKE)

OK.

Let me ask this specific question to your Ms. Fraser. Does Citigroup have a whole reduction policy or do you have a carbon reduction policy?

FRASER: We have a policy which is reflective of a risk-based assessment on the -- on the coal sector. We see declining demand. We also take into account reputation and other risk factors when we make a decision as to where we're going to be financing or not. Where we have a focus on helping and support our clients decarbonizes but are very mindful. There's a very important balance here between energy policy and the economy and making sure that that transition achieves both goals.

CRAMER: Well, I always like hearing the word transition. I believe that the United States of America is the solution in the transition factor (ph). I'd submit to you that there is global demand is increasing and that many of the policies that my friends on the left want to promote simply transfer our -- their climate guilt to other countries. And I just would submit that investing in the fossil energy sector in the United States of America is the single best way to lower carbon emissions globally, while working with the innovators in those industries to reduce it.

So, words matter. So, when you -- when a policy says, you know, we won't invest anymore in anybody that uses more than 5 percent coal to generate electricity. I would say, well what if that coal generated electricity that actually has zero emissions 10 years from now because of technology? So, I just would let you -- I just want you to know the words actually do matter as you're learning today.

And I also know that the voices in your guy's ears are the -- are the left. It's -- it is the woke crowd or it's the environmental extremist crowd that's speaking through proxies or speaking through their institutional investors. And I just want you to know that I'm going to be the voice -- another voice in your ear pointing out some other things.

Let me ask -- I'll ask anyone of you I guess can answer this. When you consider, for example, a -- the risk of investing in a large server farm. Let's just say Amazon comes to you and says we're going to build a large server farm in a city where you have a big bank and we'd like to borrow $300 million for that server farm. Do you consider whether or not that server farm is going to have 24 hour-a-day, 7 day-a-week electricity, redundant and reliable electricity?

Mr. Sullivan, would that be a consideration in an investment like that?

SULLIVAN: I think, Senator, I appreciate the question. I think when we look at -- we look at any transaction with any company the people that evaluate credit and risk think about a broad, broad array of risks. And so in looking at something like that certainly they'd be thinking about power source and how that worked in terms of making of credit decision. It would one of many, many factors that would be considered.

The biggest factor if you're doing something for Amazon would simply be the overriding credit of Amazon as the largest company -- one of the largest companies in the United States.

CRAMER: Certainly. And I use them because they are large and because they do have larger server farms and server farms require a lot of electricity, but they can't have the lights go out. And regardless of what the fuel source is I would submit to you that you just can't have the lights go out.

And my point is, maybe Mr. Dimon, you could -- you could wrap up with me on this, my on is I think we have this tendency suddenly in our culture today for whatever reason to think that energy is an industry sector over here and we can just sort of set that aside over there and just manufacturing, transportation, infrastructure, the tech industry, all that, we can still deal with over here. And we simply cannot.

And so, here's my question to you all is want to help you be part of the solution to this transition that we talk about of lower emissions. And I would say that's going to involve a lot investment in the United States of America's energy sector, including fossil energy.

BROWN: Thank you Senator Cramer. Senator Tester from Montana is recognized for five minutes.

TESTER: Yes, thank you Chairman Brown. And I want to thank all the folks that are here as witnesses today. I want to talk about housing from a little bit different inning, OK.

I've always talked about availability and affordability, it is a problem, it continues to be a problem, it was a problem before the pandemic, it is a bigger problem now because we're seeing prices go up, we're seeing people paying premium prices sight unseen, cash on the barrelhead, all that stuff to buy a house. Some of them are going through you guys to buy it, but there's one thing for certain.

Demand is outpacing supply and the result of that is we're seeing housing prices in states like Montana go through the roof. I mean, we're talking 20, 30, 40 even 50 percent increases over the last 15 months.

So what I would like to know, is this -- is this a bubble? Are you folks concerned about this? And if it is a bubble and that bubble pops and I was around 2009, '08, whenever it popped last time and it was -- there was a lot of uncertainty.

So the question is, if it's a bubble and if that bubble pops are you guys in good enough shape to handle that? And I assume you're going to say yes. Tell me why. And if you say no, thank God for your honesty. So, I don't -- I think we'll start with Mr. Scharf and we'll just go right down the line.

SCHARF: Well I think the answer to the first part of your question is, I mean, you have to look market by market. I think our assessment when we look at the markets which had seen material appreciation or because changes in trends.

As far as how we feel, we have been like relatively conservative in terms of how we have underwritten and how we continue to underwrite and between our loan loss reserves and the amount of capital that we have, we think we will be just fine.

CRAMER: OK, Mr. Sullivan?

SOLOMON: Unlike a number of the banks here, we have a very, very small, tiny mortgage lending book. So, broadly speaking I think you do have to look at what's going on from a monetary fiscal policy perspective, how it's accelerating asset prices, how that's affecting prices of homes as we go forward. But in terms of our institution, it's a very, very small risk in our business platform.

TESTER: But if we would have a bubble that popped it would have impacts on you whether you have a small part of it or not. And do you see it as a bubble?

SOLOMON: I -- I don't -- I don't -- I don't see it as a bubble but I think there's a lot going on that inflates -- that is inflating asset prices, and I think we have to continue to watch asset prices, watch inflation, watch monetary and fiscal policy, and hopefully the Fed will get the right balance.

And if they do get the right balance then it will turn out that -- that there is not a bubble, if we don't get the balance right there will be issues. And, of course, we will have -- there will be secondary to tertiary impacts to all this that will affect all these institutions.

But we're very well capitalized and I think very well positioned as an industry to withstand that and -- and continue to participate constructively at that time.

TESTER: OK. And Ms. Fraser.

FRASER: I think similar to Mr. Solomon, this has to be monitored very closely, and I think it's too soon to call whether it is or not. Housing is absolutely critical, we can support it through mortgages as well as affordable housing finance, and -- and many of us have talked about the importance of -- of supporting that arena.

We are speaking for secret (ph). We have a lot of reserves on our -- our balance sheet and believe that we're in strong financial health on that and we're hoping that with the recovery that those reserves will not be required.

TESTER: OK. Mr. Dimon.

DIMON: Senator, to give you a little comfort while it is a little bit of a bubble and housing prices, and stuff like that, unlike '08 and '09, there was tremendous leverage and bad mortgage underwriting. Here there's not much leverage and much better mortgage underwriting so it wouldn't be -- have the same effect on the financial system as we had last time.

And I think all of these banks have -- we -- I mean, we have -- our capital runneth over, we have enough capital to withstand multiple crises. We did the -- as we did in '08, as we did in the pandemic. We run 120 stress tests a week, some of them far more severe -- the Federal Reserve severe adverse tests. And we can handle all of that rather easily.

TESTER: Thank you. Mr. Moynihan.

MOYNIHAN: Well, the last point that Mr. Dimon made is a key point that the stress test, which assumes housing prices drop by 60 percent (inaudible), assume there's a downfall in housing and data banks (ph) all pass the stress test for that.

Secondly, I think that Mr. Scharf's points about the underwriting has been much better done, frankly, in the last five, ten year -- fifteen years since the last housing crisis. And so, the amount of leverage it gets -- consumer level is much different so I think that (inaudible) that they'd be able to make it through better also.

TESTER: Thank you. And finally, Mr. Gorman.

GORMAN: Not a bubble nationally, certainly some suburbs look very frothy (ph). The banks are extremely well kept wise to absorb should this be a downturn and we're in as my colleague said, in a very different position from ten years ago.

TESTER: OK. Thank you all very, very much. Thank you, Mr. Chairman.

BROWN: Thank you, Senator Tester.

Senator Daines, also from Montana is recognized for five minutes.

DAINES: All right. Mr. Chairman, thank you and a big thank you to our witnesses for being here and I got to say, thank you for helping our economy recover over the past 15 months. A heartfelt thank you.

Shifting gears, I recently read a quote who was actually from the ACLU and he was referring to Harvard when he said this when he defined diversity and he says, "Diversity at Harvard is where everybody looks different but thinks alike." That stuck out to me and I think it rings true and crosses over several sectors of our society, including banking.

Mr. Scharf, what non-economic criteria would Wells Fargo take into account when making loans? And I also think of this in the context of a -- of the shareholders personal or political beliefs taking into account.

SCHARF: Well, Senator, thank you for the question. I think, you know, our approach to underwriting starts with a risk-based approach in its entirety. And so, we look at all of the risks that something can pose and we look at the returns relative to the risks that we take and so that could be credit risk, it could market risk, it could be operational risk, it could be reputation risk.

And, you know, we also think about our shareholders and what their points of view are over time. Not for a specific credit per se but about, you know, their -- their views on just our institution.

DAINES: Still, yes, I was struck as -- as looked at what happened -- situation with Core Civic. In terms of what criteria was applied when you made a decision in 2019 to stop lending to Core Civic and really more specifically, was that response driven by any reports or shareholder activist proposals?

SCHARF: Senator, that -- that decision was made before I arrived at the company, so I really can't speak to it.

DAINES: OK. I'll move on to a -- Mr. Moynihan, in the Bank of America's 2021 proxy statement a shareholder proposal stated and I quote, "Bank of America's charitable contributions are not fully aligned with its public statements. Bank of America has donated to police foundations in New York, Atlanta, and Los Angeles."

In response to pressure from shareholders and the fear of escalating shareholder activism have either you or Bank of America halted or reduced giving to police foundations?

MOYNIHAN: Senator, thanks for the question. We haven't changed the way we gave in the past based on any shareholder resolution that I'm aware.

DAINES: Does that (ph) relate to anything law enforcement or police foundations?

MOYNIHAN: Exactly.

DAINES: Yes, thank you. Follow up to that, how do your ESG initiatives and your guidelines impact your client selection in lending criteria?

MOYNIHAN: Well, I think it's similar to what Mr. Scharf was saying, you have a series of risks that you're assessing in any transaction and those risks are off the spreadsheet -- off the, you know, the balance sheet and income statement, off the market opportunity, off the brand of the underlying company, and that's all taken into account by our team as they look at client selection and -- and each individual case.

Those committees represent -- have business representatives, risk representatives, legal representatives, compliance representatives from all -- all over the company make the decision.

DAINES: In the -- in the -- looking through your 2020 proxy statement you discuss commitment to achieve net-zero greenhouse gas emissions in your financing activities. Do you anticipate refusing to provide banking services to any oil, gas, coal, farms, or ranchers that would have emissions?

MOYNIHAN: No, Senator. That commitment you've heard us all talk about earlier, these commitments -- our clients are -- have committed transitions and our job is to help them finance that transition because that's what banks do. And just in 2020/2021 (ph) alone we did about $60 billion in environmental financing to help clients make the transition.

So, we're working with the oil companies, with gas companies, and others to help them finance transition. Including using our purchase power to help make that happen. So, for example, with the (inaudible) being provided electricity to us in the Carolinas, we helped them get the kind of contracts a company like ours can give us from a major player to help them build a solar facility to help them, and they can sell that to other people. So we can do it through how we underwrite, how we support those clients, make them transition and also how we use our purchasing services for electricity in particular to help a utility make a change.

DAINES: Great. Thank you. Mr. Dimon, could you explain to what extent - if you look at your risk models, you factor in - make (ph) controversy risk and how that might play into an assessment of perhaps lending to what is it firearms manufacture, or a natural gas project?

DIMON: So, a little bit but not as much as people think. So when it comes to energy, it's really carbon intense you look at. And we've been working with the auto and oil and gas companies all of whom are trying to get their carbon intensity down. I think we'll actually quite successfully the American public will be happy with it.

We look at risk away from just financial risk, it's usually legal (ph) and regulatory, and it's usually the cost of underwriting and doing due diligence that we look at which might say there's no reason we're going to do A, B, or C because the legal regulatory cost down the road would be just too high.

DAINES: Thank you. I'm out of time. Thanks for being here today, appreciate it.

BROWN: Thank you, Senator Daines.

Senator Sinema from Arizona is recognized for five minutes.

BROWN: (Inaudible).

SINEMA: Thank you, Mr. Chairman. And thank you to our witnesses for being here today. Each of these financial institutions played an outsized role in the economic response to COVID-19.

Ms. Fraser, it's good to see you again. Let's talk about the Paycheck Protection Program. We effectively transformed the traditional loan origination process into what we hoped to be fast emergency cash flow for small businesses across the country. We saw that the PPP saved countless jobs, but we're also seeing concerning instances of fraud and abuse that need to be held to account.

Defrauding American taxpayers is unacceptable and strong oversight and investigations into Paycheck Protection Program fraud must continue. How do you think Citi and other banks did in implementing the PPP, and excluding the technical issues with the SBA, what was the biggest challenge that banks faced in terms of execution?

FRASER: Yes, I think the goal of all of us, certainly at Citigroup was to get as much money into the hands of those who needed it, as quickly as possible. So some of the challenges were building out digital platforms to be able to get - to be able to disperse and facilitate the applications and certainly for the forgiveness programs that are currently underway.

And our biggest challenge was speed of getting that money into the right people's hands, and making sure that we were doing so in a way that wasn't allowing fraud into the system, and was protecting the intent of the tax holder's money in supporting people who needed it the most.

SINEMA: Thank you. And do you believe that repurposing the loan origination process is the optimal solution to help small businesses in a future pandemic? Or knowing what we know now, do you think we could design something better?

FRASER: I certainly think that it will be a well worthwhile investment to make sure that we do have a technology platform at the SBA or any of the other relevant institutions helping this to be able to disperse money as effectively as possible. There were many lessons learnt on this last - these last couple of rounds and they need to be applied, and investments made in the technology systems for sure, Senator.

SINEMA: All right. Thank you. Next I'll turn to Mr. Solomon, it's good to speak with you again. I want to build off of Ms. Fraser's observations and think about the future pandemic response.

You know, this pandemic really taught us how fragile the economy can be if the right shock comes along for the first times in our lifetimes last spring, businesses both large and small were staring into the abyss. And we had a Congress that was willing to act, but government lacked an effective mechanism to deliver economic relief quickly to everyone.

Now, our office helped thousands of Arizonans who struggled to navigate government bureaucracy to access unemployment insurance, PPP loans, stimulus checks - and we're still helping some of those businesses today. Now, we chose as a country to move quickly and move together as a Congress, I'm glad we took action. But we owe it to ourselves to take a hard look at the pandemic response and assess what we did, what we spent, and whether or not it worked as intended.

Now, it can be tempting to pretend that another pandemic isn't possible, and that this is a problem better left to the next generation. But I think we owe it to the people of the country to have a better plan in place for the next time this happens, which could be sooner than we think.

And that's where my team and I are starting a bipartisan working group on risk sharing and pandemics. And right now we're working with a diverse group of stakeholders, think tanks, and other Senate offices to identify a smarter and more fiscally responsible solution for businesses that leverages the power of insurance in the event of a pandemic.

What do you think about this type of public-private partnership, and do you believe it would promote growth and make our economy more resilient?

SOLOMON: So, I appreciate the question, Senator, and I think it's great that you're advocating for us all thinking about the lessons we've learned, and thinking about preparedness. Certainly there have been many pandemics before, and we certainly will see pandemics in the future.

As you think about these issues, I think you need to come up with an appropriate risk-based system that can price and distribute that insurance appropriately, we'd certainly support the idea of thinking about this and finding ways that the private sector can partner with you to potentially allow us to be better planned, better prepared from an insurance perspective. And we'd be delighted to work with you and your staff.

SINEMA: Thank you. You know, we have a lot of businesses who couldn't access the relief they needed during this crisis. Some were too big, some were too small - others just simply couldn't navigate the bureaucracy. And many of these businesses failed, many (inaudible) Main Street businesses.

When the bankruptcies and defaults during the pandemic threatened nearly $2 trillion in commercial real estate loans, held largely by big banks. This threat for some banks (inaudible) that capital to cover potential loan losses, and it tightened credit across the board when businesses need it most.

So, Mr. Solomon, do you believe that averting some of these bankruptcies and defaults, for a risk sharing mechanism like the one our group is contemplating would reduce losses and make credit more available to businesses in these tough economic times?

SOLOMON: Well, again, I think it's very, very important to set up an appropriate risk-based structure. I think these are complex issues, but I think it's something we should focus on and think about, and we'd be delighted to spend some time bringing resources to bear in that discussion.

SINEMA: I appreciate that.

BROWN: Thank you.

SINEMA: Mr. Chairman, I see my time is expired. I yield back. And thank you.

BROWN: Thank you, Senator Sinema.

Senator Ossoff from Georgia is recognized for five minutes.

OSSOFF: Thank you, Mr. Chairman. And thank you to our witnesses today.

Ms. Fraser, the American Society of Civil Engineers has rated the state of U.S. infrastructure at a C minus, and estimated that the capital expenditure necessary to close the gap to get to a B level, which they define as a state of good repair is approximately $2.6 trillion.

Now, not all of that investment has to be public investment. And so my question for you is twofold. First, do you agree that having state of the art, world class infrastructure in the United States is essential not just to quality of life, but also to economic competitiveness and sustained growth?

And how can Congress take action to make it easier for private sector entities with significant capital at their disposal to invest in necessary infrastructure improvements and construction?

FRASER: Thank you very much, indeed, Senator. It's a really important question. Yes, I do agree that America have a far stronger infrastructure than it has today will be important both in terms of competitiveness as a country as well as an important source of jobs and growth going forward.

The public-private partnership has been showing to be a very successful one in this area where the government can step in and provide credits and other areas where there are gaps in a capital structure or help absorb some of the risks in it to enable investors to come in and participate in the investment is going to be a very important area, and it's one I think speaking myself we will be delighted to work with your office ongoing forward.

OSOFF: Thank you, Ms. Fraser, and would you similarly commit to working with this commit and my office to explore mechanisms that could make it easier for private capital to support the development of clean energy production capacity here in the United States? I know that your bank has made some significant commitments in terms of emission reduction.

FRASER: Yes. We would be delighted to do so. I think the development as we've heard today of new technology in sequestration or in carbon capture and others will be absolutely essential in the transition ahead. We will be delighted to do so.

OSOFF: Thank you. I look forward to those discussions. Mr. Solomon, I'd like now to turn to you. Could you please lend your perspective? What are the impediments and what are the opportunities for improvement to public policy to unlock more private capital for capital investments, improvements, construction of necessary infrastructure in the United States?

SOLOMON: So I appreciate - I appreciate the question, Senator, and I think that it's important for us to try to unleash a lot of the private capital that exists or is earmarked toward infrastructure. I think there's over $200 billion of private capital earmarked for investment in infrastructure in this country. I think that finding ways to collaborate from a public-private partnership perspective has always been a successful path to take.

I think there are things that we can do to potentially expand activities by making certain tax exempt financing easier potentially for rural broadband or housing infrastructure more broadly. I think those are areas that would be worth exploring.

OSOFF: Thank you, Mr. Solomon. I appreciate that. Mr. Dimon, I'd like to offer you the opportunity to respond to the same question, perhaps comment on the statements made by some of your colleagues.

DIMON: Yes. No, I agree with everything they said, and I would just add that infrastructure's critical, but I would beg you, the Senate, to focus on the output not the input. Too much time is spent on how much money we have spent on stuff. Too little time is spent on who's responsible, what is it going to cost, what is it worth, what is - and also you need to fix regulations.

I've given this example many times. You go through the examples around the country to build - rebuild a broken bridge between New Jersey and Staten Island. It took 10 years to get the 49 permits that - which you had to get sequentially. It's going to take 10 years to rebuild a broken bridge, to get those permits. The cost is higher, the risk is higher, private capital will not come in. And so, you have to do those things together, and cost to it upwards (ph) how many bridges.

And then you get full support of everybody if we have - if we know it's going to be effectively spent. This money spends lots of money completely ineffectively, and that would be a very bad idea.

OSOFF: Thank you, Mr. Dimon. Appreciate that contribution to the discussion. Mr. Moynihan, when we discussed some of the potential investments in infrastructure, for example, transit and transportation, clean energy, the energy grid, can you comment as well, please, on the opportunities and the challenges faced by private capital interested in supporting these vital (inaudible).

MOYNIHAN: I think my colleagues have outline a lot of the questions and issues so to speak. There is just a lot of money ready to be invested. It'll take some effort on the permitting and other types of processes to speed those projects along, but the money is there. And in fact, we're seeing investments as we speak (ph), so I think I'd encourage a holistic view of this from the amount of money that the government can help to move projects faster, the amount of money that the private sector has, and then importantly the atmosphere on getting the project done which is required to speed these things along.

OSOFF: Thank you all. Thank you, Mr. Chairman. I yield.

BROWN: Thank you, Senator Osoff. Senator Warnock from Georgia's recognized for five minutes.

WARNOCK: Thank you so very much, Mr. Chairman. The country's biggest banks often set the pace for the rest of our economy, which is why I think it's important for banks, especially the biggest banks, to be good corporate citizens and to model good corporate behavior that benefits our broader community. I think frankly that's good for capitalism.

That means you use your power to stand up for climate so that we have sustainable solutions for our democracy, which creates the context for capitalism, for voting rights, for the least among us including our brothers and sisters who face discrimination at the hands of our financial system and sometimes at the hands of our own government.

And I'll just give one example. This past weekend I was honored to be in Fort Valley, Georgia along with the Agriculture Secretary Vilsack for the rollout of the debt relief for socially-disadvantaged farmers program I fought to secure in the American Rescue Plan.

Leading up to this event, honestly I was quite disappointed to see this letter from several banking associations, including the American Bankers Association, and organization that all of your banks belong to, sent to the USDA.

The letter actually complained that the relief program will cut into the banks' profits and argued that USDA should deviate from its congressional mandate to quickly implement the debt relief for eligible farmers who have faced decades of discrimination at the hands of the federal government.

The letter suggested that somehow paying the prepayment penalty, which the USDA has already indicated it will pay, somehow that's not enough. And so, I want to give each of you a chance to clear the air and distance yourselves and your banks from the ABA's concern and position. I'd like one-by-one if you would tell me do you agree with the position taking in the letter which would either hinder the relief or slow down the relief farmers would receive or somehow suggest that the American taxpayers ought to do more than pay the prepayment penalty, which they're already doing? I'd like a brief yes or no answer since I have a few more questions and limited time. Mr. Scharf?

SCHARF: Senator...

WARNOCK: Do you agree with the letter?

SCHARF: ... this is not an issue that we're involved in.

WARNOCK: Pardon?

SCHARF: This is not an issue that we're involved in.

WARNOCK: Do you agree with the letter, yes or no?

SCHARF: Again, this is - this is not our - I've not read the letter but it's not our issue, and we are a significant lender in the agricultural sector.

WARNOCK: Mr. Solomon, do you agree with the letter? You like Mr. Scharf, your bank is also a member of the ABA.

SCHARF: So it's not an issue we're involved in, Senator. We don't always agree with the ABA. We've made $130 million commitment to Hope Enterprise Corp, which is a significant depository institution in that area, but it's not an issue we're involved in specifically.

WARNOCK: Ms. Fraser?

FRASER: I think similar to my colleagues, Senator, I'm afraid I haven't read the letter. This is not an area that we are involved in. And I -- as my Solomon said, I -- we don't agree with everything that the -- that --

WARNOCK: Do you -- do you agree with this? Do you agree with that letter?

FRASER: I'm afraid I haven't read the letter, so I -- I don't know, sir.

WARNOCK: Mr. Dimon, do you agree with the letter? Do you think that --

DIMON: (Inaudible).

WARNOCK: -- that -- that the -- that we should deviate from the congressional mandate and slow walk the pavements that these farmers have been waiting on or that the American tax payers ought to do more than pay the prepayment penalty, which is part o the provisions of the law?

DIMON: We did not fundamentally agree with the letter and that was really our smaller -- smaller bank brethrens, they do have some legitimate issue but we did not fundamentally agree with the letter.

WARNOCK: OK. Thank you. Mr. Moynihan?

MOYNIHAN: Similarly it's not an issue that our company was involved in and I think it's an issue for the smaller banks and I think it'd be better -- it would be better to hear their point of view on it but it's not an issue we engaged in or had anything to do with.

WARNOCK: Mr. Gorman?

GORMAN: I haven't read the letter. It's not our issue but I certainly don't agree with discriminating against farmers.

WARNOCK: All right. Thank you so much. Listen I -- I want to touch on a different issue in my remaining time. As we know the financial crisis, while painful for everyone has been particularly devastating for black and brown homeowners.

Some of you may have seen recent media reports about black and brown homeowners receiving valuations significantly undervalued compared to white homeowners.

One story in Indianapolis is particularly heartbreaking. Mr. Scharf and Mr. Dimon, as the top two bank mortgage lenders in this country, when you consider the wealth gap and how that's exacerbated in the real estate market where most people have most of the -- of their wealth in their homes, will you each commit your banks to take action to help address racial disparities within the home appraisals market?

DIMON: Absolutely.

SCHARF: I agree, Senator.

WARNOCK: Thank -- thank you so much. I think this is a critical issue and is the reason I'm introducing the Real Estate Valuation Fairness and Improvement Act along with Senator Klobuchar to help remedy these appraisal disparities, which increase the racial wealth gap. Thank you so much.

BROWN: Thank you, Senator Warnock. We're reaching the end of the hearing. Senator Toomey would like some closing remarks as I will and we will have you out as -- as mostly promised by 1 o'clock. So thank you. Senator Toomey.

TOOMEY: Thank you, Mr. Chairman. And thank you very much to all of our witnesses for attending and for your patients for being here. Listen, I can't help but reflect on the fact that I think this hearing really demonstrated the very points that I was trying to make in my opening statement.

What we just saw over the course of the morning was where stakeholder capitalism takes you. This morning you all have been criticized for distributing capital to the owners of the institutions when you buyback stocks.

You've been criticized for charging fees for providing financial services. You've been criticized for not supporting efforts to unionize your workforce. You've been criticized for serving lawful businesses like fossil energy companies. And my point is that if -- if you can see the premise that shareholders don't rank above other stakeholders, then it's hard to explain in principle why those criticisms are wrong.

I think there is a principle to explain why they're wrong and that is that your primary responsibility is to maximize value for your shareholders. And I got to point out when you were asked to endorse a proposal for government imposed price controls on credit, you didn't object.

And in fact, some of you seemed to express support, at least in principle. And this is an anti-market proposal and nobody stepped up and defended this fundamental principal of capitalism that we use markets to discover prices, not government edicts (ph).

So again, I just want to close by urging you, please defend the capital of the system that has worked so well for so many for so long. Thank you, Mr. Chair.

BROWN: Thank you, Senator Toomey. I -- again, thank you all for your patients in being here. I look forward to doing this more in the future. We've heard a lot today about how much you value your employees and yet not one of you agreed to remain neutral if your workers want to unionize.

You said you would allow their voices to be heard but that's not what remaining neutral really means, not using your vast power to intimidate your employees. You say you've focused on lending to small business and growing the economy but I look at your actions, not your words.

Instead, we see all of you spending billions on stock buybacks. You say that climate change is a threat to the entire economy but you drag your feet when it comes to investing in new technology and the jobs of the future.

I'm glad you raised wages, I appreciate you doing that. I'm glad you made some investments in minority depository institutions and started to increase diversity in your senior leadership. A number of several cases leading right up to this hearing. I hope you all continue to do that throughout the year and not just before a Senate hearing. It's also not even close to enough when you're the most powerful economic actors in the country.

As I said, the six most important business people in this country are on this screen right now. The signals your companies send influence workers and companies all over the country, not just your own employees.

Before the pandemic, Bank of America downgraded Chipotle's stock because an analyst decided the company pays its workers too much. As a result, the company's share price declined by -- declined by 3 percent.

When American Airlines announced pay raises for its pilots and flight attendants, Wall Street punished the company, dropping its stock price 5 percent. A Citi Bank analyst actually wrote this is frustrating. Labor is being paid first again. Shareholders get leftovers. Leftovers.

We might have thought that after the pandemic things might start to change a bit. No one could deny how much essential workers contribute. How our economy is supposed to reward people whose talents are in high demand. That's what we're all taught and that's what corporate leaders always tell us, right.

But this year after Amazon defeated Alabama workers union organizing efforts, the company stock climbed (ph). Just a few weeks ago, Wall Street sends Uber and Lyft and DoorDash stocks down when Labor Secretary Walsh said gig workers should be classified as employees.

This sends a pretty clear message, the more you pay your employees, the worst you're going to do on Wall Street. The less power you give workers, the better you'll do. This view that American workers are a cost to cut instead of a valuable asset to invest in is what's wrong with this system.

So called analyst on Wall Street, often at your banks, make decisions for people in Ohio and Pennsylvania and across the country. Decisions about whether workers they've never met in towns they've never been to are a good investment. I hope you'll make progress not only within your own institutions but in thinking about the role your banks play in leading this system and leading this economy.

Thanks for you all, the six of you, for being here today. Thanks for your patients and for three hours of answering questions. For senators who wish to submit questions for the record, they're due one week from today, Wednesday June 2nd.

The witnesses, we ask you to respond within 45 days. Thank you again. With that, this hearing is adjourned. Thank you all. Thanks everybody.

END

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