

# Senate Banking, Housing and Urban Affairs Committee Holds Hearing on Domestic and International Policy

CRAPO:

This hearing will come to order.

Today we will receive testimony from the secretary of the United States Department of Treasury on domestic and international policy issues. Thank you, Mr. Secretary, for attending today. This is Secretary Mnuchin's first hearing since being sworn in as treasury secretary in February and we look forward to our discussion.

Many of this committee's priorities fall within the jurisdiction of the treasury department including housing finance reform and development of policies to encourage a healthier economy. We look forward to working with you and your staff on these priorities and improving the lives of Americans.

Housing finance reform remains the most significant piece of unfinished business following the crisis and it is important to build bipartisan support for a path forward. Last week we received testimony from Federal Housing Finance Agency Director Mel Watt. At that hearing, Director Watt emphasized that it is Congress that needs to act to determine the future of housing finance reform. The hearing reinforced why conservatorship is unsustainable, namely GSEs having zero capital, taxpayers on the hook for losses, and the government effectively taking all risks.

A number of groups have released proposals for reform in recent months including the MBA, the ICBA, the Milken institute, several coauthors writing jointly for the Urban Institute, and many others. Three years ago, seven Republicans and six Democrats on this committee voted in support of a comprehensive housing finance reform bill. A key priority this Congress is to build on that bipartisan legacy and these new ideas and pass legislation that will create a sustainable housing finance system for future generations.

I look forward to working with you, Secretary Mnuchin, and your staff at the Treasury Department as this committee develops this bipartisan legislation that will fix the broken housing finance system. Regarding economic growth, I'm encouraged by President Trump's executive order on core principles for regulating the financial system. I understand that treasury -- the Treasury Department will be issuing a report identifying laws and regulations that inhibit federal regulation of the United States financial system in a manner consistent with the core principles soon.

I will review this report and work with you, regulators, and members of the committee to enact measures to improve our financial system. Financial regulation should help ensure a safe and sound financial system but in a tailored manner to help grow and maintain a healthy economy. We want our nation's banks to be well capitalized and well regulated without being drowned by unnecessary compliance costs. Undue regulation chills innovation and imposes significant and unnecessary costs and burdens on financial institutions and companies often disproportionately on smaller ones.

For example, community banks and credit unions lack the personnel and infrastructure to handle the overwhelming regulatory burden of the past few years yet in many ways are treated the same as the world's biggest institutions. Our regulatory regime should be properly tailored and avoid a one size fits all approach. One area I would like this committee to address is the \$50 billion SIFI (ph) threshold for regional banks. In prior hearings, we've discussed whether \$50 billion is the appropriate threshold and I hope that we can work together to craft a more appropriate standard.

My goal is to work with you, Secretary Mnuchin, senators of this committee, and financial regulators to look for ways to improve regulation and foster economic growth while maintaining resiliency in the economy.

Senator Brown.

BROWN:

Thank you Mr. Chairman.

Welcome Mr. Secretary, nice to see you two days in a row, thank you so much. I thank Chairman Crapo for calling this hearing. Treasury's played a key role in our government since its creation more than two centuries ago.

That role expanded in the wake of the great recession when it became clear, at great cost, that the rules in place for financial services were inadequate. Give the greater role that the treasury secretary plays in oversight of Wall Street it makes sense that he devote some of his time to conveying his views and those of the administration on issues within this committee's jurisdiction, to us and to the public.

So far the communication has been insufficient. Questions posed to the secretary by me, questions posed to the secretary by other senators have gone either unanswered or were answered by non sequiturs. So I hope today will give an opportunity to all of us for more forthright conversations.

On Tuesday we held an ordinary hearing that, in my mind, turned out to be quite extraordinary. Three of the four nominees will work in national security positions in Treasury if confirmed, the fourth will work in a national security position at commerce. One senator after another felt compelled to ask the nominees -- to ask each of them if they would put the law and the constitution and their country -- and their country ahead of loyalty to the president. Amazing and unprecedented that we thought we had to ask that question.

Given all the troubling revelations from the White House and about the White House such a question is vital for every nominee in a sensitive position. This was hours before we learned that President Trump very likely asked FBI Director Comey to shut down an investigation. Honesty is critical. Our national interest are undermined, whether national security or domestic, economic security when our leaders traffic in falsehoods.

You can't -- you can't lead if we don't believe you. And when I say we I mean the American public. China was a champion of currency manipulation and then it wasn't. Wealthy tax payers would not get a tax cut and then they would. The deficit would be eliminated in eight years, and then it wouldn't. Wall Street was getting away with murder, but now it has too big a compliance burden. The carried interest loophole would be close, but now, maybe not.

We must invest -- we must invest in our, quote, "third world infrastructure", but now there seems to be no rush. No cuts to Medicaid it was promised, now a \$900 billion -- \$900 billion cut to Medicaid is fine. The president launched the examination of Dodd- Frank with the claim that credit worthy borrowers can't get loans. But the spigot isn't dry and we don't need to, in the president's words -- original words perhaps, "prime the pump".

Bank loans -- bank loans and profits are at record levels, these are facts that bear repeating -- bank loans and profits are at record levels. The president was elected saying Wall Street has caused tremendous problems for us -- for us, we're going to tax Wall Street, his words. Now that he's in office he seems to have forgotten the tremendous problems that Wall Street created for middle class families across America. That same amnesia seems to have affected a number of my colleagues

who seem to forget what Wall Street did 10 years ago to our country, to our economy, to our families, to our neighborhoods.

The president sacked a dedicated public servant for a bank lawyer to oversee the nation's biggest banks, he is threatening the consumer bureau, one of the only champions that consumers have in the executive branch. Can we improve upon how we regulate the banks and the shadow banks and the rest of the financial services industry? Of course we can. I believe we can do so for smaller institutions. But let's do so based on facts.

The fact is that one in five homeowners one in five homeowners in the city of Cleveland, one in five holds a mortgage that is more than a 120 percent of the value of their home. The fact is that bank lending has grown six percent annually over the past three years. Loan growth at Community Banks was eight percent -- eight percent this past year. Lending stalled in the first quarter of this year. Why? Because demand wasn't there.

The fact is that U.S. households have more debt now than they did in the its peak in 2008, driven by increased auto and student debt. The fact is, the wealthiest Americans may have recovered from the great recession recovered and then some, but many -- many families like these Cleveland homeowners have not. If we want to improve our economy, we'd be better off debating how to create jobs through an effective means like infrastructure investment rather than the thoroughly -- thoroughly discredited, trickle-down approach, whether achieved to the tax code, or by raising the speed limit for Wall Street.

Thank you, Mr. Chairman.

CRAPO:

Thank you and Secretary Mnuchin we will now turn to you. You have the time that you may need to make a statement. If you would like to introduce anyone as you choose, you may do so and the time is yours.

MNUCHIN:

Thank you. I would like to introduce my fiance Louise Linton who is with me this morning as well as many other members of my team at Treasury.

Chairman Crapo, ranking member Brown and members of the committee, it is an honor to appear before you today for the first time as Treasury Secretary. During my confirmation hearing I promise to work with Congress to create and maintain prosperity for all Americans. I want to reaffirm that commitment to you today.

Let me begin by discussing the Treasury's recent report on Foreign Exchange Policies of our major trading partners. Ensuring that American business consumers and workers face a level playing field is one of the essential components of this administration's agenda. When foreign governments engage in currency manipulation, it makes the playing field uneven, which is why we're regularly monitor these practices, after careful study, the Treasury Department has found that no major trading partner met the criteria for currency manipulation during the current reporting period.

We will continue to follow this important issue and have established a monitoring list of economies that warrant close attention. This list comprises China, Germany, Japan, Korea, Switzerland and Taiwan. Additionally, we are committed to rethinking our foreign agreements and trading practices to ensure they are both free and fair to American business and workers.

In my discussions with the IMF and Finance Ministers of the G20, I have emphasized this goal and I will continue to do so. Turning to our domestic agenda, it has been more than 30 years since we have had comprehensive tax reform in this country. Combined with often imprudent regulations crafted in the midst of the crisis, the entire American prosperity has slowed. I believe that a goal of three percent GDP or higher economic growth, is achievable if we make historic reforms to both taxes and regulation.

MNUCHIN:

There are about 100 people working at the Treasury on the issue of tax reform. It is our goal to bring relief to middle income Americans and make American business competitive again. We will do this all while simplifying the tax system. On regulatory reform, Treasuries preparing its initial report in response to the president's executive order on core principles for regulating the United States financial system.

These principles provide a road map for the administration's approach to financial services regulation. We have taken a systemic approach in our work by meeting with a variety of stakeholder groups to hear what works, what does not work, and what can be approved. Our initial report contains recommendations to provide relief for community banks and make regulations more efficient, effective, and appropriately tailored.

Housing finance reform is another priority of mine. This has been an unresolved issue for far too long and once we are committed to fixing. We will ensure that there is both ample credit for housing and that we do not put taxpayers at risk. This committee has done extensive work on this along with your work on community financial institution regulatory relief. My hope is that we can partner on both of these issues. I look forward to working with the Congress to develop a solution.

Finally, another area that is crucially important to Treasury is our commitment to combating terrorist activities in financing. We've announced a number of sanctions against individuals and entities associated with destabilizing regimes like Syria, Iran, and North Korea. This work is essential to the administration's efforts to continue to keep Americans safe. The first few months of this administration have been significant. We have been working hard at treasury to develop and implement policy that will allow the economy to grow. This will make the dream of prosperity once again a reality for all Americans. Thank you.

CRAPO:

Thank you very much, Secretary Mnuchin and I want to thank you personally for your responsiveness to this committee. We appreciate your willingness to work with us on these issues and certainly your expertise and assistance can help us get to the right results.

I want to take my first question -- ask my first question about housing finance reform and the status quo. As I indicated in my opening remarks last week, Director Watt of the FHFA indicated that this was critical for Congress to deal with. My question to you is, do you agree that the status quo is unsustainable and that Congress must move on this issue?

MNUCHIN:

Thank you, Chairman Crapo. I do agree completely with that. We are committed to working with you on a solution on housing reform. I think we need to fix Fannie and Freddie. We are committed to make sure that there is proper liquidity in the housing markets.

It's a very, very important part of the American economy and we need to make sure that there is ample credit for the middle class to buy homes while on the same time making sure that the

taxpayers are not at risk. As you know, the treasury has a very big line outstanding to those two entities.

CRAPO:

Thank you and as you know, during the 113th Congress, this committee developed a comprehensive housing reform bill. We had to make a lot of compromises to achieve that bipartisan legislation. As the committee again focuses on housing finance reform, what do you think are the key compromises that need to be achieved?

MNUCHIN:

Well, I think we're open to working with you as I've suggested. We need to find a solution that creates necessary liquidity while making sure we don't put taxpayers at risk. And while we've been busy working on tax reform and focusing on regulatory issues, during the second half of this year I will focus on housing reform and look forward to speaking to many of you on ideas.

CRAPO:

One of the big issues that does face us on housing finance reform is whether there should be an explicit government guarantee provided through the housing system. Do you believe that such a guarantee is necessary? And if so, do you think -- how do we deal with implementing adequate taxpayer protections in exchange for any government guarantee?

MNUCHIN:

Well, I think it's a -- it's a bit early for me to make a conclusion on whether a guarantee is necessary. That is something that we would like to study very carefully and if there is a guarantee we would want to make sure that there is ample credit and real risk in front of that guarantee so that taxpayers are not at risk.

CRAPO:

All right, thank you. I want to move quickly to the executive order that the president has issued. I noticed I only have a couple minutes left and I did not at the beginning of this remind all of our colleagues that we need to pay very close attention to the five minutes for -- for questioning. Because I'm confident that every senator on this committee wants to have his or her opportunity to -- to speak with you.

So I'll just, in my last two minutes, quickly bring up the order that President Trump signed in February outlining the administration's core principles for regulating the U.S. financial system. The executive order requires you to report within 120 days on the extent to which existing laws and regulations promote those core principals and to identify laws and regulations that inhibit the federal regulation of the U.S financial system in a manner consistent with them.

By the way, I strongly agree with those core principals and I'm looking very much forward to work with you on this effort. Can you tell the committee some of the specific issues you've looked at and then perhaps some of the findings that we may expect to see in your report?

MNUCHIN:

Yes, thank you. We -- we've had a very large group at treasury working on this. One of the things that I emphasized to the team ahead of time was that we wanted to make sure that we reached out to many different groups and got feedback that this was not something that treasury was just

designing on its own. I know certain people refer to this as a review of Dodd-Frank, that's one of the things we're looking at, but it's actually much broader than that in looking at the core principles.

We've met with 16 different groups, many of them having 50 to 100 people. We've had community banks, we've had small and medium sized banks, we've reached out to each one of the regulators and had working groups with each one of the independent regulators to make sure we have input from them. And we will be issuing a series of reports, the first one coming out shortly which will be on banking. And I will say, one of the big focuses -- we'll make sure that as we have different regulators, we have proper coordination between them and this is something that I've also been working on at FSOC, where I take my responsibility as chair very seriously.

CRAPO:

Thank you very much.

Senator Brown.

BROWN:

Thank you Mr. Chairman. And welcome again Mr. Secretary.

At your nomination hearing on January 19th and as a member of the Finance Committee I was there, you stated that OneWest, your -- the bank you were affiliated with -- did not engage in robo signing and other types of misconduct related to mortgage practices.

Since, there has been a lot of news, including reports in Ohio from one -- perhaps our state's most conservative newspaper, some 1,900 signings in Ohio, just in the six largest counties. Reports that OneWest did, in fact, engage in robo-signing. Earlier this week, your former company Financial Freedom settled with the Department of Justice for \$89 million -- \$89 million -- related to violations of federal law. Do you stand by that January 19th testimony?

MNUCHIN:

Yes. Let me first comment and let me first say that, as you know, I'm no longer on the board of CIT so I only have access to public information and what I've read. But I would like to comment on the Financial Freedom settlement which was in the recent press. Let me first say...

BROWN:

Please make it as short as possible I have other questions.

MNUCHIN:

... that these issues were identified by my management team and in self-reported to hide and FHA when we became aware of them. These were issues that existed prior to us taking over the bank. We were concerned; we sent a team to go see the FHA Commissioner and we dealt with that. We also took reserves and as soon as we learned there were issues, we put in policies to correct those issues immediately.

BROWN:

I'm sorry to interrupt but my question Mr. Secretary was did -- you said that One West did not -- forgetting this settlement you said One West did not engage in Robo-singings. Do you stand by that statement from January 19th? That you said under oath to the Finance Committee.

MNUCHIN:

I do and I would also just comment, I believe in a series of questions that were issued to me on -- after that hearing, we responded on the definition of what we expected Robo-signing and again, I'm no longer at the bank so I can't comment on anything...

(CROSSTALK)

BROWN:

I know that. All right, thank you.

Chairman Crapo mentioned the executive order and then you -- you gave us some detail about, I'm appreciative of that. As you -- as you and your team at Treasury work through this, are you reviewing the reforms made to the mortgage market that would address practices that took place in places like IndyMac and OneWest., including protecting -- and you mention all the banks that you've brought in the room.

I -- but there are customers, there are community people that you didn't mention, but the -- the practices that took place at OneWest and IndyMac, protecting homebuyers from predatory mortgages, banning Robo-signings, other harmful servicing practices, evaluating borrowers for their ability to repay a loan. Are you looking at you -- you reviewing those reforms?

MNUCHIN:

There will -- will be a series of reports and we will be making recommendations on things that impact home mortgages.

BROWN:

I am just concerned as I sit through this -- these hearings year after year after year that so many of my colleagues have -- have suffered this collective amnesia about what happened 10 years ago. I don't want you as Treasury Secretary, to -- to suffer from the same affliction. Another question. Your meeting with stakeholders on the Wall Street reform Executive Order and Housing Finance reform.

How many industry groups have you -- not your staff -- but how many industry groups have you met with versus how many consumer groups?

MNUCHIN:

First of all, let me just comment on your other thing, I -- I won't forget those issues. I lived with those issues very seriously from the problems at IndyMac and I spent many years trying to fix those and work on home loan modifications. In regards to industry groups, I've met with several groups of industry leaders and community areas we -- we have worked with them and we've had several meetings of -- of large groups that have come in.

BROWN:

Could you spell out for this committee, I assume you can't recite numbers now, but would you get back to this committee within the week that the Chairman usually calls on? To -- to delineate which whom you have met with, which banks, I mean you'd give us a litany -- of I mean diversity of meetings is not small banks, media banks, large banks, there are customers, there are community groups. There are all that.

So if you would spell out specifically, whom you've met with and give that to this committee, whom you've met with in about the executive order. If you would be willing to do that.

MNUCHIN:

We -- we would be more than happy to do that on a confidential basis.

BROWN:

Of course -- of course, and I accept that it would -- would honor that.

Last question Mr. Secretary, you committed to Senator Hatch in the Finance Committee that you would respond to all the Finance Committee members' questions. I wrote you to two and a half months ago on March 2nd. I haven't received an answer. That I -- that I ask for about potential conflicts of interest and ownership in the administration, Just today, there's a front page story in the shall we say mainstream -- mainstream media. It's the "Wall Street Journal" the -- the that about the president's business partners and his financial entanglements with the Russian bank that is on the sanctions list.

So I would like to pose the question again that I ask in finance in follow-up on comments that I wrote to you on March 2. Will you get a complete list of Trump business associates and financial ties to ensure that any foreign entanglements are benign with respect to the laws you enforce? Terrorism, money laundering, sanctions, CFIUS, IRGC associations and the like, so would you commit to us to get a complete list of Trump business associates and financial ties because of the threat they could have to ensure that they are in fact benign?

MNUCHIN:

Well, let me first say I did review before I came today to make sure that my staff had fully responded to all the inquiries from you and the committee and I believe we have. And if there's -- if there are outstanding questions that you've had from letters that you've sent us, please make sure you follow up with me after this and we will make sure that we are responsive.

In regards to your specific question, again, if you'd just send me a note on what you're looking for, we will review internally whether it's appropriate to come from us or somewhere else and we're happy to be responsive to you.

BROWN:

I appreciate that and thank you for your cooperation but the letter was March 2, it was not answered. I'm asking it again, I will follow up with the letter again but we want to know -- we want a complete list -- I mean, there are -- people -- people in this country are troubled by the president's business connections. They're troubled when the president's family goes to another country to do business and American taxpayers provide security for their families and that money goes to the Trump business empire including the president.

People want to know about those financial entanglements. That's not an academic or a political science exercise, it's not even a political exercise. It's about the national security of this country and it's about people wanting -- needing to know that information so I reiterate how important it is.

We -- just last week, listened to the nominee for CFIUS and terrorism and financial crimes, all of those very important issues -- or those positions and we want to make sure those -- his ties don't affect their ability, the secretary -- undersecretary for treasury for terrorism and financial crimes, the ability of the CFIUS nominee to do their jobs.



MNUCHIN:

Well, I -- I can assure you, I take the CFIUS responsibility very seriously. I review the cases weekly, my team reports to me on it, and I can assure you that if there were any cases that involved the president or any members of his family that they would be treated very seriously and we would review them like anything else.

BROWN:

But the public needs to know that as you review them. Thank you, Mr. Chairman.

CRAPO:

Senator Corker.

CORKER:

Thank you, Mr. Chairman, and Mr. Secretary, thank you for being here.

I appreciated our conversation yesterday evening and I know that you heard secretary -- Chairman Crapo's commitment to housing reform in his opening comments. I know that you've got some tax reform issues and others to deal with but it's my sense that you're strongly committed to finally dealing with housing finance reform in an appropriate way. Is that correct?

MNUCHIN:

That is correct and I hope that's something that we can do on a bipartisan basis.

CORKER:

And if I -- I think the only way to do it appropriately where you deal with some of the charter issues that are necessary to really go beyond the model that we had back in 2008, the only real way to do that is through congressional action. Is that correct?

MNUCHIN:

My strong preference is to do it through congressional action and working with you and your colleagues. I will say that obviously the Treasury has a lot of exposure and taxpayers are at risk but my strong preference is to do it as exactly as you've described.

CORKER:

I talked to you a little bit about the -- guess a couple nights ago, Mr. Watt called me to talk a little bit about a conversation we had had here publicly about the capital cushion and some other issues and, you know, I sincerely believe that he feels strongly about the position that he has laid out. I discussed that with you a little bit last night and I know your position there but seems like we've got another 75 days or so to figure the appropriate resolve to that, is that correct?

MNUCHIN:

That -- that is and I appreciated you calling me and talking about that issue. I've had the opportunity to meet with Mel Watts several times. Last time we talked about the dividend extensively and I did

tell him that it was our expectation at treasury that they would pay us the dividend and we hope they continue to do so, per the agreement.

CORKER:

We -- I think most of the models that have been put forth to try to resolve the issues that have continued to exist with -- with Fannie and Freddie, most of them call for an explicit guarantee because of the fact that there was an implied guarantee which really caused a situation where there were private gains and public losses.

Certainly if there is any guarantee that's put in place after hopefully a large amount of capital being put up in front, that's something that should be priced, should it not?

MNUCHIN:

Absolutely. If we do end up with a situation where the government is issuing a guarantee, no different than FDIC insurance or FHA insurance, the government and the taxpayers should be compensated for that risk.

CORKER:

Well, I'd just like to say, again there's been a lot of work -- Senator Warner and myself, many of the people here at the committee have spent a great deal of time on this issue.

As I mentioned to you last night, I doubt we'll have a secretary of Treasury like you that knows as much about this topic as you and I look at this as a tremendous opportunity really to -- to resolve this issue. Because of your knowledge and the strong interest on our committee. I think when we attempted this back in 2013 we did so in a fashion that was so complicated, very difficult, even though we passed something out of the committee.

To bring that into --to the mainstream on the floor and certainly in front of the American people. My sense is, there's been a lot of work to streamline since and I will say I feel, for the first time, a real opportunity to align not just the interest of U.S. taxpayers and -- and the fact that we want to have a housing finance system that is robust, but also, in fairness, one that more fully aligns the public sector interest and the private sector interest.

I know I talked to you a little bit about some -- some potential proposals last night on the phone but I just want to thank you for your interest in this and look forward to, hopefully, completing the work that is the last piece of work -- the one piece of work that really should have been front and center on -- on -- on financial reform when we did it in 2010 and I want to thank you for your concern, your interest and hopefully involvement in bringing this to a close.

MNUCHIN:

Thank you. I'm committed to work with you on it.

CRAPO:

Thank you. Senator Reed.

REED:

Thank you Mr. Chairman and thank you Mr. Secretary for joining us today.

You noted in your testimony the importance of the work done at the Treasury Department to identify and disrupt terrorist activities, specifically by targeting their financial networks. And this work is critical and depends a great deal on cooperation of our allies around the world, specifically where intelligence sharing is concerned.

And after the recent revelation that President Trump shared highly classified information with the Russian Foreign Minister, reportedly information given to him by an ally but shared without his knowledge, do you have concerns about the chilling effect this will likely have on our relationships with these critical intelligence sharing partners?

MNUCHIN:

Well, I can't comment on what information was shared or not, since the only thing I know is what I read in the press, but I will say I'm probably spending 50 percent of my time on TFI issues. It is, I think perhaps the most important issue right now as part of my job. I assure you that I take it very seriously.

I've had two foreign trips, meeting with both the G7 and G20 and in each one of those meetings with my counterparts I have discussed this. And I'm -- I'm happy to report that we have a very close working relationship with our partners and our allies on this issue and something I think can be incredibly effective in stopping terrorism throughout the world.

REED:

Thank you. The White House is also asking you to review the orderly liquidation authority established by the Dodd--Frank act, and as you know that the statutory purpose of the OLA is to provide the necessary authority to liquidate failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates interest and minimizes moral hazard. And I'd like to highlight some of the OLA provisions and ask whether you support them.

In the case of the failure of Mega Bank, do you support the mandatory removal of the Mega Bank's, executives and board members responsible for the failure?

MNUCHIN:

Again we are -- we are going through an extensive review of OLA as instructed by the president. We are just starting that process. I have had discussions with many Finance Ministers and governors throughout Europe and this is something that obviously very important to them as well. It would be premature for me to make any specific comments on any aspects of it. We're doing a review, I'm open-minded to looking at all these and I look forward to issuing a report and would be more than happy to come back and update you, once we've done more work on it.

REED:

Let me -- recognizing your answer, put on the record two other issues which I would like you to bear particular attention. And I will put it in the former question understanding it. Your response would probably be similar to your initial response. Do you support the FDIC's Authority Clawback compensation for executives and directors substantially responsible for the failure?

MNUCHIN:

I would say as a general matter, I think that that is a good policy that has been instituted. So again it is something we will review but yes I generally support that.

REED:

That's fine. Would you support the statutory mandate that taxpayers shall bear no losses from exercising any authority under OLA?

MNUCHIN:

Again, I would say that that's -- that's an objective but again, I would reserve comments, specific comments until we complete the review. Obviously, we do not want to put taxpayers at risk in any way and that's one of the reasons we're looking at all the core principles.

REED:

Mr. Secretary, the tax plan is -- is rather terse in details, but it suggests that the some of the highest income Americans would receive significant tax cuts and the majority of tax relief to the remaining Americans would be rather minuscule or certainly small and there's a possibility that in the proposal there could be indeed some increases on individual families on our individual taxpayers.

Are you committed now to ensuring that they'll be no increase on families or individual tax payers less than \$250,000 a year? I'm taking that as kind of a reference point but are you committed to something like that?

MNUCHIN:

Let me just say that obviously tax reform is something that we are working on with the House and the Senate but I can assure you that the president's objective and my objective is that we create a middle income tax cut and that we do not raise taxes on the middle income. If anything, the opposite. We are trying to create a middle income tax cut.

REED:

Would that tax cut be equivalent to the tax cut enjoyed by the very richest Americans? That make about 1 percent or the highest 1 percent?

MNUCHIN:

Again, obviously we're working on the details. One of the things we've done is we have proposed getting rid of almost every single deduction which is something that is used by the rich in return for a slight reduction in taxes. And our objective is that 95 percent of Americans won't need to use itemized deductions and will be able to fill out simplified tax returns. And we look forward to working with you as we progress on the details.

REED:

Thank you, Mr. Secretary.

CRAPO:

Senator Toomey.

TOOMEY:

Thank you, Mr. Chairman and Mr. Secretary, thanks for joining us. Right over here. Good to see you again. I do want to take a moment to compliment you on the extraordinary accessibility. You have

been before groups of us, members of the Finance Committee, I have lost track of the number of times you've been on the Hill to get input on the various issues in your brief.

You've been available by phone, you've been -- you've hosted meetings at the White House and that is a very welcome change from the previous regime and I am grateful for your accessibility and responsiveness. I also want to commend you for reiterating the goal that we should be striving to create an environment in which we can sustain growth that's above 3 percent. I think that's entirely achievable and it's a very important goal so thanks for mentioning that.

As a quick follow-up to the comments from the senator from Rhode Island, I would just like to underscore that as you do this review of the OLA and the OLF, I hope we will keep in mind that this very convoluted construct which at the end of the day contemplates a taxpayer-funded bailout through the OLF of a failed bank, it is a creature of the fact that we don't have an adequate resolution mechanism in bankruptcy.

And some of us have been working for some time on legislation that would give us the confidence that we could resolve even a very large, complex firm in bankruptcy so that we wouldn't need to put taxpayer funds at risk indirectly through the OLF nor all of these very prescriptive punishment mechanisms that the FDIC would subjectively decide to impose of which the senator from Rhode Island mentioned a few.

In this general topic, I wanted to address one of the egregious problems with the FSOC which you chair now and it has to do with the designation of these too big to fail firms, the SIFI designation, strikes me there are several obvious problems with the way that had been run and I'm hoping to get your -- hoping to get your reassurance it's going to be run differently.

Some of the things I've objected to is a completely opaque process where a prospective designee would have no idea the criteria by which they would be designated. Second is a complete lack of a defined, so-called stringent regulation which is the Dodd-Frank prescribed punishment for being designated, no clear off-ramp, no mechanism by which you could, once designated, change your business practices so that you could be relieved of the designation, and even firms like asset managers had to worry about being designated and asset managers, as you know, do not intermediate credit risk, they don't fund themselves with deposits, they do not have the kind of risk profile that banks have.

So my question for you is, can you assure us that under your leadership the FSOC is not going to launch a whole new wave of designations and is not going to be run in this very opaque fashion and could you share with us how you do intend to lead the FSOC since it does exist in statute?

MNUCHIN:

Sure. Well, again, I take my responsibility of chair of FSOC very seriously, not only on the designation issue but it's also a very important forum where we can talk about issues across the regulators. Cybersecurity is something that I'm very focused on and we are working at FSOC and in other areas with the regulators. Specifically on your question, the president has signed an executive order where we are reviewing the FSOC designation process.

Again, it's early in that work but I will tell you, I do support the concept of transparency and I do believe that if a company is being designated that they should understand what would be required to be de-designated if they want to de-risk their business. So, yes, generally in regulation I believe that there should be transparency.

TOOMEY:

Thanks. And then just quickly on the CFPB, I'm -- remain deeply concerned that the way this entity was structured has left it completely unaccountable and it behaves as an unaccountable regulator in many ways. The House Financial Services Committee had to take extraordinary steps to even discover the nature of their processes in their regulation of indirect auto lending, despite the fact that the statute forbids them to regulate auto lending.

They continue to fail to produce a timeline that we've requested to explain their involvement in the discovery of the Wells Fargo abuses where it appears that the CFPB jumped in at the end to take credit for what other had done and Director Cordray has still yet to respond to QFRs that I submitted to him over a year ago. I think this lack of responsiveness and accountability is the logical consequence of an entity that even court -- a court has determined is unconstitutional in its construct. I hope you agree to work with us to change the governance of this entity, make it subject to appropriations and appropriate congressional oversight.

MNUCHIN:

Yes, we would work with you on that.

TOOMEY:

Thank you. Thank you Mr. Chairman.

CRAPO:

Thank you. Senator Menendez.

MENENDEZ:

Thank you Mr. Chairman. Mr. Secretary welcome.

MNUCHIN:

Thank you.

MENENDEZ:

The president spent a great deal of time on the campaign trail highlighting those neighborhoods and communities throughout the country that seldom reap the benefits of economic expansion but are reliably and disproportionately burdened by economic downturns. And in responses to my questions for the record after your confirmation hearing you said, quote, " I share your commitment to bring back jobs to these communities that have been so gravely affected by economic conditions for which they had no part in creating.

If confirmed I will work with you to make sure the poorest and rural areas of America are no longer left behind" -- which was heartening to hear. So, with that, let me ask you about community development financial institutions, the private community partners that have stepped up for the better part of a century to inject capital, create jobs, provide mortgage credits, small business loans, banking services in those forgotten communities.

In 2016 alone, CDFIs made over 90 -- excuse me -- 39,000 loans and investment totaling more than \$3.6 billion, financed over 11,000 small businesses and over 33,000 affordable housing units. So explain to me, how is it possible to reconcile the president's promises and your commitments with the administration's plan to eliminate the Community Development Financial Institution from the very foundation on which these investments are made possible?

MNUCHIN:

Sure, well, let me first again say, I am committed to work with you on helping on helping these communities and traveling with the president during the campaign, I had the opportunity see a lot of this and I also had the opportunity at OneWest to see this where previous loans have been made improperly by IndyMac.

In regards to your question on CDFIs (ph) as you know, the president's budget has as a priority to make sure that we re-institute proper spending for the military. The president is very concerned that we have not made those proper investments over the last number of years and that that required a huge investment on part of the government, so we had to make difficult decisions in where we would try to save money on other areas while I share some of your concerns with the CDFIs (ph), we had to look at this across a lot of different priorities. It is an area where this market is mature and there is private capital that will come in and I managed I do share your concerns on this.

MENENDEZ:

Let me respond to that because I believe in a strong defense. We spend more than the next seven countries combined and we can do better, but not at the cost of everything that makes America worthy of fighting for and dying for and not at that the cost of millions of Americans who languish in an economic situation of for which none of us a generally would want to live in. And when I look at the budget justification that was put out by the administration.

The justification proposed in the budget outline as to why it should be zero doubt is not even an accurate description of the program statutory purpose. It said that this was to quote "Jump start an industry". That wasn't the case, it was created to promote access to capital and promote economic growth in economically distressed areas. So, we obviously disagree on the value of the program because in my mind when there are more than 50 million Americans living in community with high percentages of adults who aren't working and many who have no high school degree.

Every block has a few vacant homes and incomes are stagnant. These communities desperately need investments that will allow them to start small businesses create jobs, purchase homes. This is why thought I was going to find common ground with the administration, but zeroing out. For example CDFIs (ph) even in your desire to do national defense, doesn't make any sense on behalf of the very people who supposedly we want to defend -- we want to defend, we also want to create economic opportunities.

So even the banking industry, The ABA and the ICBA said it best in their letter to Congress requesting full funding. They said, "CDFI work in the exact communities that were the focus of this conversation. They are uniquely positioned to understand local crediting". So as we go into the 2018 fiscal cycle, I hope that you can be an advocate within the administration for something that would meet the president's goal and you're own stated goal, and you know I -- I hope to be able to work with you to make that happen.

Lastly, I wrote a letter in March to you concerning about the real possibility that administration would be for to deal with an offer from Russia's state owned oil company to acquire critical energy infrastructure in the United States. Last year, Venezuela's large estate on oil company better, best pledged to nearly 50 percent of CITGO shares to Ashnift (ph) a is a collateral for its loan. I receive your response on Friday evening, and frankly doesn't say anything. It just recites relevant statutes and standards cibus procedure.

MENENDEZ:

So my question is, would it concern you Mr. Secretary, if Venezuela state owned oil company defaults on the debt and as a result Russia's state owned oil company exercise a near majority ownership stake if they haven't purchased additional shares in the open market?

They may have the possibility of being the majority owner with 48 U.S. petroleum product terminals, three refineries in three different states, nine pipelines throughout the country, wouldn't that be something that would concern you?

MNUCHIN:

Well, let me just be very clear in stating this. This is an issue that I am aware of not just from your letter but from other people who have raised the concern. I can assure you that this, like any other national security issue, will be reviewed at CFIUS and in appropriate where national security issues also discussed in other confidential settings and at the appropriate time, I'd be more than happy to have as issues progress on a classified basis, we'd be more than happy to have a confidential discussion with you.

MENENDEZ:

Well, I look forward to that. Thank you, Mr. Chairman.

CRAPO:

Thank you. Senator Scott.

SCOTT:

Thank you, Mr. Chairman.

I think it's good to see Mr. Tillis here with us today, everyone's giving him thumbs up so it's good to see you healthy here.

(APPLAUSE)

That's why I don't run at 8:00 a.m. in the morning however.

(LAUGHTER)

Excuse me. We'll talk to you later. Mr. Secretary, it's good to see you here as well. Like you, I had a past professional life. I spent about 20 years in the insurance industry and that may not be as cool as making the Lego Batman movie but it is germane to my question.

I was pleased to see the president call for you to review the FSOCS non-bank SIFI designation authority. I think examining the transparency, the due process, and likelihood of distress associated with these designations is good public policy. At the end of the day, insurance companies are not banks and they should not be treated as such.

Under existing law, FSOC includes an independent member with insurance expertise. Most FSOC members can have their vacancies on the council filled by whoever takes their place. The law specifically allows that. Unfortunately, such a provision does not exist for the independent member with insurance expertise. When the current insurance expert's six year term ends, there will be no one there to take his place and no voting member with any insurance expertise.



Do you believe that Congress should address this discrepancy between the vacancies of the FSOC members? And if so, how would you suggest that we do so?

MNUCHIN:

I would -- first of all let me just say I've had the opportunity to meet with him several times. I do think it's very important that we have someone on FSOC that represents and has experience in the industry, knowledge. I'd be happy to work with you on that issue. We're aware of his term is coming up and if you or anybody else have suggestions for us for someone to replace him, we'd be happy to listen to that but I share your concern and we want to make sure that we keep that spot on FSOC.

SCOTT:

I assume that when you make your presentation to the president on your review that you would perhaps bring that issue up to the president as well.

MNUCHIN:

Yes.

SCOTT:

I want to thank Chairman Crapo and Ranking Member Brown who have both committed to solving this issue as well. So I think if we work as a committee we can solve this, I think, discrepancy that is unusual and certainly not practical. Thank you.

CRAPO:

Thank you. Senator Tester.

TESTER:

Thank you, Mr. Chairman and Ranking Member Brown and thank you for being here, Secretary Mnuchin. Appreciate your presence at this hearing.

Senator Moran and I have a -- have a community bank reg relief bill called the CLEAR Act. Have you had a chance to take a look at that at all?

MNUCHIN:

I've only looked at it briefly, but I would be happy to get together with you and go through it.

TESTER:

The reason I bring that up is that it's a bipartisan bill. There are a number of Democrats that are willing to work with you, and Republicans, that are willing to work with you to try and get some common sense reg relief for community banks and if you can take a peek at that and get back to us I -- I would like that a lot.

MNUCHIN:

I would be more than happy to do that and I can assure that one of the things that will be in the report to the president is relief for community banks.

TESTER:

Thank you. There's a bill out there called the Marketplace Fairness Act, it deals with requiring small businesses to collect sales tax on behalf of other states and local governments when selling -- when selling goods over the internet, are you familiar with that bill?

MNUCHIN:

I am familiar with the bill.

TESTER:

If -- do you or the president have a position on that bill?

MNUCHIN:

I -- I haven't discussed it with the president so I don't know his view. I think this is something that we seriously need to look at and I share certain concerns of your on it.

TESTER:

OK. How about a national sales tax in general, is that something that the administration supports?

MNUCHIN:

We've had no discussion on a national sales tax, it's not something that we're -- we're inclined to do.

TESTER:

OK. Recently, you along with NEC Director Cohn announced a one page tax plan at a briefing the document is -- is not specific but that's okay. Nonpartisan experts have said that this plan could cost \$5.5 trillion dollars. I don't think any of us here think that that's a good idea, saddling the kids with additional debt, I think even Senator McConnell has recently the plan cannot add to the debt. Could you commit to -- this plan, this tax relief plan would not add to the debt?

MNUCHIN:

First of all, let me assure that this plan -- that we would never propose a plan that we thought would cost \$5 trillion, okay. There were only specific parts of the plan were released so I don't know how it could be responsibly scored. And what I have said repeatedly is that any plan we put forward we believe should be paid for with economic growth. Now, I am concerned as to whether some of the models will attribute enough growth in dynamic scoring but when we present the details we will present how we think it should be paid for.

TESTER:

I would -- I would just -- a couple things. First of all, the budget that the president put out and quite frankly Senator Menendez talked to part of it, but it doesn't not bode well for rural (ph) America. So if we're talking about economic growth in rural America to pay for a tax plan based on the budget that the president laid out we -- we've got some huge problems, I'm just telling you, it -- it ain't going to happen with that budget I'll just be quite honest with you.

The other thing I would say is that, I'm very suspicious of dynamic scoring because it's been done before, it isn't the first time we've been here. And often times, through dynamic scoring the -- the end product looks really good but then when reality hits it -- it's not that way at all.

So I mean, if you're concerned about the debt, and I do believe you are by the way, I -- I would just ask, this needs to be done very prudently.

MNUCHIN:

I -- I can assure you that I am very concerned about the debt and I'll give you my 10 second commercial on the debt limit, which we do need to raise and look forward to working with all of you on that.

TESTER:

And we look forward to working with you on that too. GSE reform has been brought up several times, do you support a 30 year fixed rate note?

MNUCHIN:

I do indeed.

TESTER:

OK and is -- you talked several times about protecting taxpayers and I think that's solid, would you -- would your support for that go away if, in fact, there was some taxpayer risk with a -- with a GSE rebuild?

MNUCHIN:

Well, again, I think that the 30 year mortgage has been a fundamental part of our...

(CROSSTALK)

TESTER:

Yes, no doubt.

MNUCHIN:

Mortgage finance for as long as most people can possibly remember.

TESTER:

It's a big deal.

MNUCHIN:

Again, if we end up with a scenario where we need some type of explicit guarantee, I would expect that it would be paid for and I would expect that it would hopefully never be no -- no different than theirs, and FDIC insurance fund or an FHA insurance fund.

TESTER:

OK. OK. The FSOC underwent a number of changes, related to transparency and designation process. You've talked about some of them, notifying companies when they move between stages, making public the calculation for Stage One Evolution, providing more information to companies as they go through their annual review. Would you support codifying the changes in the law?

MNUCHIN:

Again we are -- we are looking at recommendations, but I think that's one of the things we will look at and potentially recommend.

TESTER:

OK. Thank you very much. Thank you, Mr. Chairman.

CRAPO:

Thank you. Senator Shelby.

SHELBY:

Mr. Secretary, thank you for your willingness to serve. You bring unique experience from the private sector to this Office of Treasury. You know well that we need meaningful bank reform. You've been in the banking business. A lot of us have pushed for overall, comprehensive bank reform but it seems to me that a lot of the smaller banks and regional banks, that to my knowledge have been here 31 years on this committee and Chairman three times that they don't pose a systemic risk to this country. You know the small banks and regional banks.

So do you support in concept and would you work with -- with us to try to bring some meaningful, fundamental bank reform to our system?

MNUCHIN:

Absolutely. And I think that Regional Banks and Community Banks are critically important to lending. These are the banks that know the communities, know what's needed and they know how to make loans and we should make sure that they can do it without undue regulatory burden, without putting taxpayers at risk.

SHELBY:

And -- and Sir, aren't they mainly the banker for the small and medium-size business in this country, which are the job creation machines?

MNUCHIN:

They are indeed.

SHELBY:

On the tax reform -- which we're interested in -- we talked about -- we talk about the corporate rate, 35 percent is too high because nobody pays 35 percent is we know, but I have brought this up with the administration several times while I was -- most of the small and medium-size businesses that we're talking about in this country, are taxed under the Subchapter S of the IRS code. And that's a pass route. Is that correct?

MNUCHIN:  
That is.

SHELBY:  
So if we're talking about tax relief for the biggest of the biggest, what are some of your proposals or what are you working on? You got a lot of smart people working on this for the small businesses and so forth because I for one would not want to support a big reduction just for the biggest of the biggest and do nothing for our basic base and job creation, small, medium-sized businesses. Are you working in that area?

MNUCHIN:  
Yes, thank you Senator. We share your concerns and I've referred to this in the plan as a business rate as opposed to a corporate rate. We need to figure out and we have a large team working on how we would deal with pass throughs, but I also just want to emphasize that we are committed to make sure that rich people do not use pass-throughs as a loophole to pay lower rates.

So we do want small and medium sized businesses to have the benefit of lower rates but we will make sure that, you know, not every single accountant, lawyer, and doctor who should be paying higher personal rates sets up an LLC or a pass-through to get around the system.

SHELBY:  
But again, this is the backbone of our economy, is it not?

MNUCHIN:  
It is and we're working hard on how we create growth in that part of the economy.

SHELBY:  
I don't want to put you on a calendar right now but as you flesh this out and you get into the weeds on this, I hope you'll be briefing us. I know the Finance Committee has jurisdiction of this but we have more than passing interest in all of it.

MNUCHIN:  
Absolutely and we'll be more than happy to come back and brief you and your staff on this.

SHELBY:  
Thank you very much.

CRAPO:  
Thank you, Senator Shelby. Senator Heitkamp.

HEITKAMP:  
Thank you, Mr. Chairman and welcome, Mr. Secretary.

Your first appearance in front of this committee and I couldn't agree with you more; one of the demands of the American public and the responsibility of Washington D.C. is to encourage economic growth. That can solve a lot of our problems as we go forward and so I want to talk a little bit about the EXIM Bank. Not a big surprise to a lot of people on this committee that I'll be raising it.

In 2014, EXIM's last fully functioning year, the bank supported 164,000 jobs across the country. That's compared to about 52,000 jobs in 2016. That's because we didn't have a quorum. In 2015 alone, three Chinese export credit agencies financed a total of \$500 billion. The potential there is that those could have been markets that we're accessing but we're not getting access to today. Do you believe that the EXIM Bank is a critical tool for enabling American manufacturing competitiveness?

MNUCHIN:

I do. I've actually spent a lot of time looking at this and I am concerned that without more members on it they can only make loans up to \$10 million. I think that the board should obviously look at credit risk and everything else but the EXIM Bank is important tool and the president has proposed adding new members.

HEITKAMP:

One of -- one of the great fears that we have is that the suggestion of the leadership of the EXIM bank going to Former Representative Scott Garrett who really is not just a critic of the bank and a reformer, I think he is someone that we are very concerned would -- would not advance the interest of the bank and does not believe in the mission of the bank, not just reforming the bank.

Do I have your commitment to work on a bipartisan basis to forward leadership in the bank that would in fact make sure that the bank is fully functioning and that these credits actually come before the board for up or down approval?

MNUCHIN:

I'm sorry, I just want to make sure I understood your question. Is it on?

HEITKAMP:

My -- my question is, if in fact Scott Garrett's name is advanced to lead the bank as chairman, we are deeply concerned that many of these credits that are, you know, \$30 billion worth of manufacturing today will not even see the light of day because the head of the bank has the ability to set the agenda for the board.

And so it's very important that, you know -- I don't -- quite honestly don't care if Mr. Garrett is on the board but I do care if he's setting the agenda for the EXIM Bank. And so my commitment to you -- or my question to you is, are you willing to work on a bipartisan basis so that we can move these nominees as expeditiously as possible without getting into the weeds on someone that many of us suspect might be a saboteur of the bank?

MNUCHIN:

Yeah, I -- I mean, I can't comment on his specific situation. He was proposed by the president, I would say I can assure you that the president is interested in making sure that the EXIM Bank can lend. We've had lots of business people come in and talk about this and it is something that Director Cohn and I are -- are deeply involved in.

HEITKAMP:

OK. I would tell you that I raised this issue as early as December with the president and was grateful to hear that he was supporting the bank but as we move forward, we're already in May looking to June. We don't have nominees yet and the nominees that have been proposed I think cause great hesitation on our part. And so we'll -- we'll leave it there. I wrote you a letter May 11, should have received it by now about the Central States Pension system.

These are good Americans, the kind of Americans that the president talks about every day who worked very hard, negotiated and bargained for pension and healthcare and yet they're being told in many cases in my state that their pensions will be reduced 70 percent. Now, we were able to I think reject -- as Treasury reject a plan that was submitted. Where are you at with reviewing Central States and how do you see this moving forward?

MNUCHIN:

So again, let me just comment on -- I do recall this is something that you mentioned at my meeting and confirmation. I'm a lot more familiar today on this -- this issue than I was beforehand. At Treasury, we perform an important function when people make applications on these. But it's not a subjective function, it's a function of we go through and run tests. I share your concerns and we look forward to working with you and others. It's a -- it's a complicated issue.

HEITKAMP:

It certainly is and I look forward to your response to the March 11 letter. Thank you, Mr. Secretary.

CRAPO:

(OFF MIKE)

ROUNDS:

Thank you, Mr. Chairman.

Mr. Secretary, we appreciate the opportunity to visit with you today. I'd like to talk about just a couple of items. I would like to go back to an insurance related issue if I could and that has to do with the U.S. E.U. covered (ph) agreement. We may be getting into the weeds a little bit on it, but I -- and if you'd like to take it for the record, that would be fine. I'm curious, there are different types of insurance carriers that do business in the United States, some do business in Europe as well.

They all want to be able to -- or at least a number of them want to be able to do business both in -- within the European market but also within the United States markets. Some only do business here, a lot of our property casualty carriers do but they have reinsurance connections with the European market.

Their concern in many cases, there's a little bit of a discrepancy between some of the reinsurers who want to -- basically have full access and capability to do business in all of the E.U. markets. And because of that there was a covered agreement that was created, one in which we have a temporary seat basically in this -- this decision-making body.

But property casualty carriers on our side of the ocean have some real concerns about what the impacts are being included in this covered agreement which leaves a number of different areas unanswered with regard to -- some of my friends on the other side of the aisle suggested in our last

meeting with Treasury officials that when I indicated it was kind of like passing a law to find out what's in it, that I was going back to Obamacare and that I didn't need to do that at this time.

But this covered agreement, which is there, leaves some real unanswered questions for a number of our property casualty carriers that are doing business within the United States but who may be subject to some of the requirements found under the covered agreement in the future.

Would you just simply, number one, I'd -- I will submit a question specifically to you for the record on it but would you commit to work with us and get back with us on taking a second look at what's in that covered agreement, whether or not it really is in the -- in the best interests of most of the carriers that do business within the United States market today?

MNUCHIN:

I will. And I would just comment this is another area that I'm actually a lot more familiar with than when I first came during my hearings. We've had several internal meetings where I've been briefed on this, we've actually heard -- we've reached out to industry and we are aware of there's people who support it and people who don't support it.

The agreement specifically, this is something we do in conjunction with the U.S. Trade Representative and now that the Trade Representative has been confirmed, we'll be close to making a decision but we would be more than happy to -- to reach out to you and hear your views before we make that final decision.

ROUNDS:

Thank you. I just think some of their -- with the questions which they've asked really do deserve to be able -- we should be able to get an answer to them one way or another before we actually get into it.

MNUCHIN:

I can assure you we will and this is something I am familiar with.

ROUNDS:

All right, thank you, Mr. Secretary. I'll also just to -- and following up a little bit on Senator Shelby's discussion in terms of the tax rates and so forth and the fact that a lot of our job creators are not C Corps, they are S Corps and so forth. But they'll come back down to a private tax rate or an individual tax rate.

Just curious, you know we have a lot of discussion here about tax reform. Within a 74,000 page tax bill, some of those pages giveth and some taketh away. When every time we talk about simplification, we can have people that get hurt and people that have an advantage or that receive an advantage. When we start talking about doing that and particularly if we're doing this, there are going to be individuals who will lobby hard against not allowing some of the deductions to be removed even if there's a lower tax rate, once they've done the calculation in their own situation.

While we want to see a simplification, and I think a lot of people out there would love to see that happen, there's also a concern that, as the president would suggest, that it is truly time to prime the pump similar to the way that it occurred during the Kennedy Administration and during what was a very successful Reagan administration where we refueled the economy. Part of that's got to be regulatory reform. But the second part of that is actually allowing a few more dollars to remain with individuals so that they can reinvest back into businesses as well.



When we get right down to it, are we stuck with only a program which is revenue neutral -- meaning that we are basically are going to take away as much as we give backing -- or could we actually consider some sort of down payment, perhaps, on a tax plan in which we allow for a reduction in actual taxes collected so that can be reinvested back in the economy -- in a very small nature.

Perhaps, in a bill that I'm suggesting and one that I'll be introducing and -- which we take our basic tax rate for the -- for those individuals at ten down to eight, from 15 to 13, from 25 to 23, from 30 to 28, from 35 to 33, from 39 to 37. It's not a huge expense and yet it may very well impact those at the very bottom a little bit more than those at the top. And it would be a down payment to the American public clearly indicating that there is additional resources that they can invest in -- back into business and into -- into basically back into the economy.

MNUCHIN:

well the president and I fundamentally believe that tax reform is critical to growing the economy and getting back to sustained economic growth. We look forward to working with you. I think different people will have different views as to -- under what scenarios it should be revenue neutral.

As we've heard today some people believe in dynamic, some people believe in static. The president does believe that we need to create economic growth and that we are willing to have lower tax revenues in the short term if that will create economic growth. I think as I -- I've said, the difference between two percent and three percent GDP is roughly \$2 trillion over a 10 year period of time. It's a lot of money and economic growth will help us deal with a lot of other complicated economic issues we have.

ROUNDS:

Thank you Mr. -- Mr. Secretary. Thank you Mr. Chairman.

CRAPO:

Thank you Senator. Senator Van Hollen.

VAN HOLLEN:

Thank you Mr. Chairman.

Thank you Mr. Secretary for your service. Recently I sent you a letter together with many of my colleagues on this committee objecting to your decision to put Keith Noreika in charge at the OCC by using a maneuver that evaded Senate confirmation. As you well know, the OCC serves as the chief banking regulator overseeing over 2,000 banks and Mr. Noreika has spent most of his career working very closely to protect the interests of those banks.

I appreciate the letter I got back yesterday. It raised some additional questions and I'm going to be sending you another letter to ask you to respond to the following questions, why were you willing to install him as head of the OCC before his ethics pre-vetting has actually been certified, so that the American public can know whether or not conflicts exist now that he's in charge, at least for now, of regulating 2,000 banks?

And second, your letter indicated that Mr. Noreika's special temporary 130 day status allows him to avoid President Trump's ethic pledge and I'm going to want to know whether that would allow him to immediately go leave the OCC and lobby or work on behalf of big banks? And I'm also interested in whether all this means that you'll be presenting a nominee in the next 130 days?

So I'm going to send you a letter to ask for your follow up on that. I want to ask you a question about tax policy and I agree with my colleagues who have said that if we're going to do tax reform and I think tax reform can work, can be an important step, that we should focus on middle income tax relief and not another round of tax breaks for the very wealthy and special interest. In fact, last November you agreed with that statement and I quote what you said in November, "Any reduction we have in upper income taxes will be offset by less deductions so there will be no absolute tax cut for the upper class." That's what you said.

Now, Senators Reed and Tester have asked you questions about the tax reform plan that you're thinking of submitting or will be submitting. I have a question related to a tax cut plan that's already in progress that you and President Trump have strongly endorsed. And that's the House healthcare plan which, according to the Congressional Budget Office, has \$900 billion in tax cuts, including \$270 billion in tax cuts that go to higher income families.

And the analysis of that tax cut is that millionaires will get, on average, \$50,000 a year in tax cuts. And that's because what we did in the Affordable Care Act was we applied the capital gains and net income taxes, Medicare taxes, on very high income individuals on their investment income so they could help shoulder their share of the Medicare trust fund. That totally violates -- totally violates the standard you set forward in November, doesn't it?

MNUCHIN:  
Allow me just for...

VAN HOLLEN:  
It's a really yes or no question, Mr. Secretary...

MNUCHIN:  
Well, no I want...

(LAUGHTER)

... the first -- the first question you asked I wanted to respond to, which was on the controller of the currency at the OCC. So yes, it is our intention, we actually have someone who the president has approved that's going through the FBI vetting process. I think as you know, unfortunately, with all the candidates this is a time consuming process but we do hope that there will be somebody who is cleared and somebody who will go through a Senate confirmation process.

So this was, in no way, an attempt to put someone in who wouldn't be going through, this is someone who's in on an acting basis. On your -- your second comment, I have only been partially involved in the healthcare, that's not really in my primary area of responsibility. My comments are really more focused on tax reform and yes that -- the president's intent is that there is a middle income tax cut and that is our -- our major focus...

VAN HOLLEN:  
Mr. Secretary, my question was you -- it is a fact that the healthcare bill, so called healthcare bill, that passed the House has \$900 billion in tax cuts combined with almost \$900 billion in cuts to Medicaid and some to Medicare.

So a huge pillar of this is tax cuts and isn't it the case that the provision that gets rid of the Medicare tax on investment income flatly -- flatly contradicts your test that any reduction we have in upper

income taxes will be offset by less deductions? So there will be no absolute tax cut for the upper class -- isn't it an absolute tax cut for millionaires? Yes or no?

MNUCHIN:

Again, my comments were focused on tax reform...

(CROSSTALK)

VAN HOLLEN:

Mr. -- Mr. Secretary this is tax policy. It is a tax provision. Mr. Chairman I think -- it -- what's been interesting about this healthcare debate is that you've got this major tax change masquerading under the cover of healthcare. Why is there a big tax cut in a healthcare bill? You're the secretary of the Treasury, you deal with tax policy.

MNUCHIN:

Again, I think the idea was that -- that tax was hurting investment and jobs in this country and that, again, that was part of the healthcare repeal. So, yes, factually, that tax will help people who are investing money back into the economy and will create jobs.

(LAUGHTER)

VAN HOLLEN:

And -- all right, Mr. Chairman. It flatly contradicts your statement of now absolute tax cuts for the upper class, it's a flat contradiction. Thank you Mr. Chairman.

CRAPO:

Senator Perdue.

PERDUE:

Thank you Chair.

Mr. Secretary thank you for being here.

MNUCHIN:

Thank you.

PERDUE:

Appreciate you being willing to step up and do this and it's nice to have a private sector guy in here trying to figure this out. I want to go to the debt in -- in the portfolio. We've got about \$20 trillion of debt all in, that's about a third of all sovereign debt in the world. There's about 200 total debt -- \$200 trillion of total debt in the world but one out of every three government debt dollars that are out there are ours.

We also got the largest Fed balance sheet in history. And the question is -- is during this period of low interest rates about -- a little over 50 percent, I think, are three years or less in maturity while the U.K. has about 48 percent of their bond portfolio is 20 years or longer. So my questions is -- is this

something you guys are taking a look at and do you plan to go a little longer while interest rates are still in somewhat of a low environment?

MNUCHIN:

It -- it is. It's something that I've talked about, we are studying ultra long bonds which would be 50 year bonds or even longer. We've been working with the Treasury Borrowing Committee which is outsiders to advise us on what the market for that is and it's something that we'll -- we'll consider as we look at debt management. No decision has been made and we're seeking guidance as to the demand.

PERDUE:

All right, thank you. Let's move to Basel III. Can we talk about that for a second?

MNUCHIN:

We can, thank you.

(LAUGHTER)

PERDUE:

It's part of your job, as I understand it. You know, it looks to me like we are unilaterally way ahead of our other signatory partners in Basel III in terms of our capital reserve requirements. It looks to me like, as a business guy, that for small banks and community banks, regional banks, that they're inordinately hampered by the cost of compliance and also by this reserve requirement.

Is there any attempt in your future priorities to look at what we're doing regarding our future commitments to Basel III and what we can do to get the other partners in Basel III to line up and at least catch up with us in terms of the commitment of safety for banks?

MNUCHIN:

There is and I've had conversations most recently when I was at the G7 in Bari with other board governors and other finance ministers about Basel III and it's something that we'll be looking at as part of the president's executive order.

PERDUE:

But no decisions taken yet regarding?

MNUCHIN:

No decisions have been taken and I think as you know, Chairwoman Yellen is the -- the Fed is the one who technically participates in Basel but it is something that we're looking at.

PERDUE:

Thank you. I met with her this week and talked about that. We talked about the fact that we've got somewhere around \$6 trillion of liquidity that's -- U.S. liquidity that's really not at work in the economy today between the Russell 1000 balance sheets that have a very strong liquidity position, probably

the strongest ever, a few trillion dollars in the bank balance sheets because of this capital reserve requirement. And then also this un-repatriated U.S. profits.

Let me move to growth just for a second because the capital investment is one that I think is a part of our future in terms of getting the economy moving again. It looks to me like the GAO has said that -- or CBO has said that 1 percent of GDP growth is about \$3 trillion over a decade in terms of federal impact on the federal budget. But yet we tend to talk in this -- in the Senate about spending cuts or tax increases as a bilateral conversation.

And yet, growth really is very rarely talked about because it's an esoteric term here in the Senate. But I know that's job one for you guys. Can you talk about how to balance those and relative to the 800 pound gorilla in the room relative to our deficit spending and that is mandatory expenses and how the president, how the administration sees fiscal policy now marrying up with the monetary policy of our future?

MNUCHIN:

Well, let me just comment, you did talk about repatriation and that is something that we are looking at as part of tax reform because there are literally trillions of dollars sitting offshore. It's not a surprise with the highest corporate tax rate, worldwide taxation and this concept of deferral, why would U.S. companies bring money back?

So as part of tax reform, we do hope that there are literally trillions of dollars that come back and as it relates to the other economic issues, we look forward to continuing to talk to you about them.

PERDUE:

But the corporate tax rate also puts U.S. companies at risk for foreign companies who have a lot of liquidity who can come in and make an acquisition of a U.S. company and basically use the tax arbitrage to basically pay for that acquisition. Is that not correct?

MNUCHIN:

They can indeed and I hear that almost every day as I meet with business leaders reminding me of that, particularly U.S. companies who feel like they're at risk of getting taken over and at risk of having the jobs moved outside of the United States. We have an uncompetitive system that we need to fix. And I would also just comment, there are several economic reports that over 70 percent of the corporate tax burden actually born by the workers. And for far too long workers in this country have not had wage increases.

That's something that we clearly saw when we met with hundreds of business leaders across the country and something we're focused on.

PERDUE:

Thank you for that. Thank you, Mr. Chairman.

CRAPO:

Thank you. Senator Warner.

WARNER:

Thank you, Mr. Chairman. Secretary Mnuchin...

MNUCHIN:  
Nice to see you.

WARNER:  
Good to see you again. I don't want to belabor the point that Senator Van Hollen was making but I would just add beyond the fact that healthcare legislation which I strongly oppose offered a massive tax cut for folks like you and me, it also -- and I say this as a former governor, is really just a transfer of obligation from the federal government which used to share in the Medicaid responsibility to the states. It's an \$830 billion transfer of responsibility back to the states.

Now the states can cut their Medicaid or they can end up resulting in dramatic tax increases to continue to pay for that Medicaid which will slow the kind of growth that Senator Perdue and I would like to see. So I -- I really hope -- I know today's tax reform but the healthcare debate really is going to influence how many of us approach the tax reform debate because when it comes to repatriation, when it comes to these other issues, I want to work with you. But we've got to do it in a way that is -- is at least deficit-neutral and doesn't follow upon something that frankly doesn't do the best for healthcare, doesn't -- disproportionately benefits folks like you and me and candidly is simply a transfer of responsibility to the states.

I want to move to two other topics in my time. One is, as you are aware, I'm up to my eyeballs in the issue around the Russia investigation. And it is, I've said repeatedly, maybe the most important thing I ever do in public life. Senator Burr and I have asked the Treasury Department for cooperation, particularly from the FinCEN division on getting appropriate documents that will be part of our investigation. I'm happy to see that there were -- we received some of those documents yesterday and we're reviewing them.

My understanding of kind of how we query that big data is going to require some collaboration and I just would like to ask you at this hearing that you -- that we'll have your commitment, your personal commitment that you will continue to work with this bipartisan committee and bipartisan investigation in a way so that we can get to the bottom of it, get the facts out to the American public.

MNUCHIN:  
Yes, you have my assurance and I did meet with my general counsel and review and make sure we were being responsive to you on that.

WARNER:  
Well, I appreciate that because it's -- this is an area of enormous interest and this particular area in terms of, in a sense, following the money, is something that's -- that's terribly important so I appreciate that and I'll hold -- try to hold you to it. I want to actually -- I know -- I think somebody else raised this issue but I want to take you through at least a hypothetical in terms of the kind of orderly liquidation authority in Title II of Dodd-Frank.

Title II, which was my good friend Senator Corker and I spent a lot of time on, the one part of Dodd-Frank that actually got 80 votes. So hypothetical is this. If we have a large, trillion dollar plus SIFI institution headquartered in the United States and operating across the world with multiple subsidiaries, if it runs into a credit crunch and the rest of the financial industry stops doing business with this SIFI and it therefore fails, in order to have an orderly failure and wind-down, would you agree that shareholders need to be wiped out in that SIFI institution?

MNUCHIN:

Again, it's hard to respond to a hypothetical situation.

WARNER:

But the normal course would be if this institution got into trouble and we don't want to have taxpayer bailout, you'd want to have, first of all, the shareholders wiped out, right?

MNUCHIN:

Again, let me just comment on that it's hard to comment on a hypothetical question but...

WARNER:

But a large institution's failing, I would think you would want, based upon earlier comments and everybody else's comments, you'd want the credit -- you'd want the shareholders wiped out, you'd want the creditors to take some losses.

MNUCHIN:

I would -- I would expect -- I would expect...

WARNER:

You'd want the management fired.

MNUCHIN:

I would expect that shareholders would be wiped out before the government was risked (ph). I'm only saying that it's a hypothetical situation. There could be situations, OK, where for various regulatory reasons that Title I and Title II may not be appropriate.

WARNER:

I guess what I believe is that if you wipe out the shareholders, wipe out the management, end up having the creditors take the loss and you still got a liquidity issue, you need some -- you need some backstop there. And I believe that, while not perfect by any means, the ordered liquidation process we set up in Title II makes the most sense. And I just find -- I know my time's running out here but back when we had your confirmation, we talked about this.

I reference the fact that the national bankruptcy conference which is composed of bankruptcy judges and lawyers believes, quote, "orderly liquidation authority under Title II should continue to be available even if the bankruptcy code is amended." I just hope that as you go through this process, I know you're reviewing Title II, if there are ways to improve. But some folks who are characterizing Title II as a bailout I think are -- frankly it's not accurate and there is a recruitment clause (ph) as you know for any of that liquidity that may be needed in the short term.

So thank you, I know we're going to have more conversation on this but I wanted to at least put this out for further consideration.

MNUCHIN:

Yes, and thank you. And let me just assure you, we have not reached any conclusions on this so this is something we are looking at we haven't reached a conclusion and I do share your concern and -- and concern of other senators that have expressed. The currency bankruptcy code does not work for financial institutions and liquidity is a serious concern as to -- even if we went through a bank process. So I look forward to continuing to work with you on this.

WARNER:  
Thank you.

CRAPO:  
Senator Kennedy.

KENNEDY:  
Thank you Mr. Chairman.

Good -- good morning Mr. Secretary. For your benefit and mine, I'm going to ask you to encapsulate your answers within 30 seconds, if you could. We could cover more ground. A few months ago, the chairwoman of the Federal Reserve was -- was with us and she was asked what, if anything, the community banks and credit unions -- defined as less than \$10 billion in assets -- did wrong in 2008? And she said nothing. Do you agree with that?

MNUCHIN:  
I do.

KENNEDY:  
Would you support a bill that would eliminate community banks and credit unions defined as less than \$10 billion in assets from supervision under Dodd-Frank?

MNUCHIN:  
That is likely going to be one of the recommendations that we make when we come out with the report.

KENNEDY:  
Because if you do that it's not as if the community institutions aren't going to still be regulated, is that not accurate?

MNUCHIN:  
That -- that is correct, they would be regulated by their primary regulator which would make sense.

KENNEDY:  
OK. Do we still have financial institutions in America that are too big to fail?

MNUCHIN:  
I -- I do not believe that anything is too big to fail. Some of them may be too big to succeed.



KENNEDY:

Do we still have financial institutions in America that are so big that, if they did fail, it would have a substantial reprehensible, if you will, impact on the American economy?

MNUCHIN:

It could.

KENNEDY:

OK. Do you think Dodd-Frank has -- has eliminated that risk?

MNUCHIN:

Again, I would just make the comment that it's -- it's very fact specific as opposed to being hypothetical.

KENNEDY:

OK. If those financial institutions that I just referenced had more capital, would that help them?

MNUCHIN:

I believe right now that the large financial institutions actually have plenty of capital.

KENNEDY:

But if they had more it would make them safer, wouldn't it?

MNUCHIN:

Well, more -- more is obviously always better than less. But the question is if -- if more is stopping them from lending that's concerning.

KENNEDY:

OK. My question is not meant to suggest my thinking about this, I honestly want your opinion, what do you think about Glass-Steagall?

MNUCHIN:

Glass-Steagall -- we do not support a separation of banks from investment banks, we think that would have a very significant problem on the financial markets, on the economy, on liquidity and we think that there is proper -- proper things that potentially we could look at around regulation but we do not support a separation of banks and investment banks.

KENNEDY:

OK. Why is our productivity growth so low in your opinion, in our economy?

MNUCHIN:

I -- I think that's a complicated question that was going to take a lot more than 30 seconds...

(CROSSTALK)

KENNEDY:

You've got a full 30 seconds.

MNUCHIN:

... but I -- I'll -- I'll be happy -- I'll be happy to come back talk to you about it. I think it's a...

KENNEDY:

Can you just give me the short -- the cliff notes version?

MNUCHIN:

I think it's a multifactor issue. It's -- it's a combination of regulatory issues. It's a combination of job training issues. It's a combination of tax issues. I think it's -- I think it's a -- it's a lot of issues that's leading to lower productivity.

KENNEDY:

Now if we could increase productivity growth from one percent to what I think is normal, two percent, wages out to go up right?

MNUCHIN:

That -- that's true and we would create huge growth in GDP.

KENNEDY:

OK. This, once again, this is a question not a suggestion. Do you think it's possible to do legislation to incent businesses to do more profit sharing so that it's a win-win? The idea being that it would -- it would increase profits for the entity as well as incent workers to work harder and therefore make more productive and make their -- their wages go up?

MNUCHIN:

I think there's been very successful scenarios of companies with profit sharing but I support leaving that to private industry to decide what's best. I don't support legislation for that.

KENNEDY:

OK. I've got 30 seconds, could you tell me why GDP growth is so anemic?

MNUCHIN:

You know, I listen to a lot of economists tell me why we're in a secular situation and give me all the reasons. I've repeatedly said, that may be the case but we're going to do everything. I think fundamentally we need to grow GDP and our focus is a combination of tax reform, regulatory relief and renegotiating trade agreements that will create economic -- sustained economic growth.

KENNEDY:

Thank you Mr. Chairman. Thank you Mr. Secretary.

CRAPO:

Thank you. Senator Warren.

WARREN:

Thank you. So I want to go back to your remarks about Glass-Steagall. As you know, the original Glass-Steagall was put in place to divide commercial banks and investment banks, the law was repealed in 1999 which created the too big to fail banks like Citigroup and J.P. Morgan Chase that -- that got so large. And since then there have been many proposals, including my own bipartisan bill with Senators McCain, Cantwell and King for a 21st century Glass-Steagall that would break up the banks and modernize the wall between commercial banking and investment banking.

Now, I want to look at the history of this, the president and this administration have said repeatedly that they support a 21st century Glass-Steagall. It was in the Republican Party platform, Donald Trump said it specifically before the election. You said, quote, "we need a 21st century Glass-Steagall at your confirmation hearing. And now you've just said exactly the opposite.

You know, in the past few months you and the president have had a number of meetings with big bank CEOs and lobbyists, is that the reason for the reversal on Glass-Steagall?

MNUCHIN:

No, not -- not at all and there actually wasn't a reversal. So...

(CROSSTALK)

WARREN:

That wasn't a reversal?

MNUCHIN:

No, let me just explain. So the Republican...

(CROSSTALK)

WARREN:

I -- I'm ready.

MNUCHIN:

... platform did have Glass-Steagall. We, during the campaign and I had the opportunity to work with the president on this, specifically came out and said we do support a 21st century Glass-Steagall.

WARREN:

Yes.

MNUCHIN:

Which is -- that means that there are aspects of it, OK, that we think may make sense. But we never said before that we supported a full separation of banks and investment banks...

(CROSSTALK)

WARREN:  
I'm -- I'm sorry...

MNUCHIN:  
... if -- if we had said that we would have...

(CROSSTALK)

WARREN:  
... aspects -- let me just stop you right there Mr. Secretary.

(CROSSTALK)

MNUCHIN:  
... we would have -- we would have. You're not letting me finish.

WARREN:  
No I'm not. Because I really have to understand what you've just said, there are aspects of Glass-Steagall that you support but not breaking up the banks and separating commercial banking from investment banking? What do you think Glass-Steagall was if that's not right at the heart of it?

MNUCHIN:  
Again, I'm well aware of what Glass-Steagall was and as you may know, the original concern about Glass-Steagall was actually about conflicts not about credit risk. And if we had supported a full Glass-Steagall we would have said at the time that we believed in Glass-Steagall, not a 21st century Glass-Steagall, we were very clear in differentiating it. Now, I -- I now realize what I had not realized...

(CROSSTALK)

WARREN:  
Secretary Mnuchin could I ask you to answer...

MNUCHIN:  
... that your bill was named the 21st century Glass-Steagall. So...

WARREN:  
... yes and has been for three years now.

MNUCHIN:

... I -- I apologize that I was not aware of that so. We were...

(CROSSTALK)

WARREN:

But -- but I still haven't heard the answer to my question, what do you think Glass-Steagall was if it wasn't separating commercial banking from investment bank -- from -- from ordinary banking?

MNUCHIN:

Again, the fundamental part of Glass-Steagall was, as you've just outlined, the separation of investment banking from commercial banking because people were concerned about conflicts...

(CROSSTALK)

WARREN:

And how do you -- how do you separate...

(CROSSTALK)

MNUCHIN:

... issuing securities.

WARREN:

... without breaking up the big banks that have integrated these two things?

MNUCHIN:

Again, the -- the integration of commercial banking and investment banks has gone on for a long period of time. That is not what caused the problems during the financial crisis and if we did go back to a full separation you would have an enormous impact on the liquidity...

WARREN:

So...

MNUCHIN:

... and lending to small...

WARREN:

So let me get...

MNUCHIN:

... and medium size businesses.

(CROSSTALK)

WARREN:

... let me get this straight -- let me get this straight, you're saying that you are in favor of Glass-Steagall, which breaks apart the two arms of banking...

(CROSSTALK)

MNUCHIN:

No, I said...

WARREN:

... regular banking and commercial banking except you don't want to break apart the two parts of banking. This is like something straight out of George Orwell. You're saying simultaneously you're in favor of breaking up the banks, that's what Glass-Steagall is.

MNUCHIN:

I -- I've never said we're in favor of breaking up the banks and separating. If we had it would have been very simple.

(CROSSTALK)

WARREN:

OK, let me try it one more time. We're going to run out of time...

MNUCHIN:

We wouldn't have called it...

WARREN:

... here, but I have to try this one more time. What does it mean to be in favor of 21st century Glass-Steagall if it does not mean breaking apart these two functions in banking?

MNUCHIN:

You know what I'd be more than happy to come see you and follow up and talk about this.

WARREN:

Just tell me what it means.

MNUCHIN:

Had -- had we -- we never came out and said (ph) we should separate...

WARREN:

Tell me what it means -- tell me what 21st century Glass-Steagall means if it doesn't mean breaking apart those two functions. It's an easy question.

MNUCHIN:  
It's actually...

WARREN:  
Or an impossible question.

MNUCHIN:  
It's actually a complicated question.

WARREN:  
I'll bet.

MNUCHIN:  
Because there's many aspects of it, OK? The simple answer which we don't support is breaking up banks from investment banks. We think that would be a huge mistake. But again, I'm more than happy to listen to your ideas on it. You obviously have strong views and I'd be happy to follow up and listen to you.

WARREN:  
This is just bizarre, the idea that you can say "we're in favor of Glass-Steagall but not breaking up the big banks."

MNUCHIN:  
We never said we were in favor of Glass-Steagall. We said we were in favor of a 21st century Glass-Steagall, it couldn't be clearer.

WARREN:  
We are in -- we are in favor of a bill that is called breaking up the banks, only don't break up the banks. Thank you, Mr. Chairman. This is -- this is crazy.

CRAPO:  
Senator Tillis.

TILLIS:  
Well, the good news is you're going to be able to finish your answers because I'm going to drill down on this. I have some other questions that, if time allows, that I'll get to. But isn't it kind of fair to say that the 2008 financial crisis demonstrates that non-diversified companies like Lehman, AIG, Washington Mutual had the most significant economic failings?

MNUCHIN:

I'm sorry, what was your question?

TILLIS:

In other words, the non-diversified institutions seem to be most susceptible in the 2008 crisis.

MNUCHIN:

Yeah -- well, in the case of AIG, they were diversified, they just took a massive amount of risk that they never should have taken and same with Lehman and others. I think I agree with you.

TILLIS:

Would you go -- just go back and you were saying that breaking up of the banks would have an enormous impact. Can you give me an idea of what that -- what that would look like?

MNUCHIN:

Again, when we're talking about breaking up the banks, I think there's -- one, there are people who just think banks are too big and that they should be broken up into smaller banks. I would say our view is that what we should be doing is supporting and making sure that community banks and regional banks can grow so that we don't just end up with big banks.

I think if you're talking about separating investment banking from commercial banking, that's completely different than the concept of breaking up big banks.

TILLIS:

I agree. And that is -- that is what I'm referring to. You touched on community banks and I know in your -- your opening statement that you referred to community banks. I did hear you refer to regional banks earlier and I know in the CLEAR Act that I believe is cosponsored by Senators Tester and Moran that a concern that I have there is whether or not we're hitting the right target for where we're talking about, regulatory relief based on institution size.

Do you have any thoughts on when you're providing regulatory relief what that looks -- what that would look like, what -- how you would actually structure it so you could provide that targeted relief to, I think banks that are financial institutions that may be a little bit larger than is targeted in the CLEAR Act?

MNUCHIN:

I agree with that completely. And when we come out with the report we will -- that will be one of the recommendations.

TILLIS:

Do you have any sense in rough order of magnitude what that would look like?

MNUCHIN:

I think that generally there's -- there are people who believe that we should raise the \$50 billion limit considerably and there's -- as you've said, there's people who believe that we should raise the \$10 billion limit.



So we're looking at both of those but we believe that there should be a greater differentiation, banks that have \$50 billion don't pay -- play the same risk as a bank that has \$750 billion or \$2 trillion.

TILLIS:

What other regulations or provisions of Dodd-Frank do you feel should be revisited for beyond what we've just talked about for midsize and regional banks? And specifically, I think it was Senator Menendez that was talking about trying to get to the folks that need access to loans to be able to invest, the midsize and smaller businesses, I guess primarily.

But what other areas should we be looking at or what other areas are you going to give us as feedback for where we should be prioritizing any other provisions of Dodd-Frank?

MNUCHIN:

Well, I look forward in the next couple of weeks, we will be delivering the extensive report and we will sit -- more than happy to come and sit down with the committee and go through the recommendations. It will be quite detailed.

TILLIS:

Good. We're looking for that because I think we need leadership from the administration to focus our efforts so that we can get to bipartisan reforms. I don't think that -- I mean, there are a lot of singles and doubles that we can hit if we get a very clear indication from the administration what will be well-received and what we can get bipartisan support for regulatory relief.

But I think that we have to have explicit recommendations, I'm looking forward to getting those detailed recommendations as quickly as possible so that the chair can continue his good work trying to get bipartisan support. We'll -- I only have about 35 seconds remaining and 35 seconds can -- I guess you can go over a little bit. Can you tell me what -- what direction we should take or what the administration thinks we should take on GSE reform?

MNUCHIN:

Yeah, I mean I think...

TILLIS:

And not waiting for us to come up with something, but giving us -- giving us an outline?

MNUCHIN:

Yeah, so I -- this is something that we will come back in the second half of the year and make recommendations to you.

TILLIS:

Will they be as extensive as the report we're expecting on the?

MNUCHIN:

I think we'd like to kind of give a clear outline as to what our recommendation would be and obviously we need to work with Congress. And I do view this as something that needs to be done on a bipartisan basis but yes, we -- just like we're doing on the core principles, we will be reaching out

to many different groups, specifically consumers, specifically realtors, people who need their access to capital, mortgage bankers and we will come back with a specific suggestion.

TILLIS:

Thank you, Mr. Secretary.

MNUCHIN:

Thank you.

CRAPO:

Senator Cortez Masto.

CORTEZ MASTO:

Thank you, Mr. Chair.

Secretary Mnuchin, I represent Nevada and for eight years there was the attorney general. And I have to say, I've been sitting here listening to your comments and have some concerns. And let me just start off by saying I give everybody the benefit of the doubt, even as attorney general it was about working for the betterment of people in our community, making sure everybody was coming together to work together.

And I'm concerned about how I -- what I've seen, some of the responses and the dancing around that you've done here to some of the questions. And the only other time I had that opportunity to hear that was from some bankers and Wall Street executives who were in my conference room as attorney general during the worst foreclosure crisis we've ever seen. And the one thing they said to me was "well, we're all doing it. And if you're going to come after me, you're going to have to come after all of us." And you know what I did? I went after them. And this is my concern.

I'm still hearing the same kind of dance looking for the betterment of people instead of businesses and big corporations, instead of looking out for homeowners and consumers and seniors and service members. So let me start off with this question because this is why I'm concerned.

You recently spoke at a conference of executives where the cheapest ticket to attend cost \$12,000 and you joked, and I quote, you said "you should all thank me for your bank stocks doing better." I'm sure you don't feel that way today. But this remark came during a discussion of your efforts to roll back Wall Street reform including under an executive order signed by President Trump before a room full of powerful Wall Street executives.

Well, let me just tell you this, while you're working to undo those financial protections, I am still hearing from constituents in my state who are suffering. And let me just quote you some of what I'm hearing from them based on your actions and what we're seeing from this administration. Ruby (ph) from Reno said "this bill needs to stay in effect. The regulations are needed now more than ever as you cannot depend on the big banks to just be honest."

We have Susan (ph) from Elko, "please don't weaken the financial regulations that were meant to prevent a repeat of the financial collapse that led to the great recession. It will only hurt the middle class." Katherine (ph) from Sparks said "appalling that the regulations monitoring banks would be lowered. Stand against the executive order and rolling back Wall Street reform."

Why doesn't President Trump's executive order that rolls back the Wall Street reform mention consumer or investor protection even once? Why doesn't it direct you to consider the financial needs of borrowers, students, service members, seniors, homeowners? What are you doing to ensure that you're looking out for those best interests?

And who are you surrounding yourself with so that you just don't hear from executives, but you also get the perspective of homeowners and victims of that 2008 collapse? Because I have not heard today anything that you have said that is looking out for the interests of the people that I just talked about.

MNUCHIN:

Well, I can assure you we are interested in looking out for all those people and this is not about rolling back...

CORTEZ MASTO:

And what are you doing specifically?

MNUCHIN:

Reform. On -- on homeowners, on the mortgage side, we will -- we are absolutely looking at people who don't have proper access to mortgage credit. We are looking at all different aspects and -- and this is not about rolling back regulation for big banks.

This is about making sure that small, medium sized businesses, homeowners have access to proper credit. That is what we are focused on to grow this economy.

CORTEZ MASTO:

Well, let me tell you my concerns. First of all, I am troubled by the people you are bringing into the treasury. Press reports suggest that you're advocating for the appointment of another OneWest executive to head the Office of the Comptroller of the Currency, our regulator entrusted with overseeing more than 2,000 national banks. And your senior counsel, whom you hired to run housing finance policy, was instrumental in managing the line of credit for Morgan Stanley to New Century, a toxic subprime lender that went bankrupt in 2007.

As attorney general, I sued for this very conduct and this conduct was the subject of a \$2.6 billion Justice Department settlement in 2016. Do you have anyone on your leadership team that has advocated for borrowers or worked on behalf of homeowners?

MNUCHIN:

Absolutely. First of all, we absolutely are very interested in protecting borrowers and homeowners. It is -- it is very critical to everything that we're doing and this is something that is going to be a big focus of the treasurer when she starts, who has lots of experience having worked at the Small Business Administration and also having come up the ranks through UPS and -- and managed a big part of their business and a big part of her focus will be on community outreach and making sure. And -- and sorry you feel that way about our appointments at the treasury, I think we have an enormously incredible staff. We have an incredible career staff.

We have lots of people inside the treasury who have been with us that have tremendous experience and I think, as you may know, I started loan modification at IndyMac and that's something that we were very proud of.

CORTEZ MASTO:

Yeah, I -- I don't have enough time and I don't want to go through that because I -- I think we're going to disagree on what you did to help the homeowners in Nevada with OneWest. But let me just say this, I -- I hope I'm wrong. I hope that you prove me wrong and you're out there advocating and the people around you are going to be advocating for the very constituency that I just talked about.

Because I will tell you what, right now I have not heard any specific with middle tax -- tax breaks, I have not heard any specifics on how you're going to address the very people that I just talked about. Talking in absolutes and without bringing specifics into the conversation concerns me. And so I'm looking for very specific information. So I -- I hope that you have that and we'll have the ability to work together.

MNUCHIN:

Well I -- I will contact your office and I look forward to getting together with you and your staff. And we'll come over and talk about -- we appreciate the issues in Nevada and the housing issues and I will follow up in the next couple of weeks to come and see you.

CORTEZ MASTO:

Thank you.

CRAPO:

Senator Schatz.

SCHATZ:

Thank you Mr. Chairman.

Mr. Secretary, thank you for being here. I have some questions about your tax proposals and the first is a process question. There are basically two paths for the administration and for the congress in terms of tax policy, whether or not you're going to move through reconciliation which requires 51 votes or whether you're going to move through the regular order for legislation which would require 60 votes and of course would result in a bipartisan product.

So the first question is, do you intend to work through reconciliation or through the regular order?

MNUCHIN:

Well, I mean that's a decision for the Senate. What I would say is that I hope that we can get bipartisan support for tax reform. As we've outlined, middle income tax cuts, making business competitive, creating jobs...

(CROSSTALK)

SCHATZ:

So -- so -- I have a...

MNUCHIN:

I hope the Democrats support that.

SCHATZ:

... Mr. Secretary I have a lot of questions so I just...

MNUCHIN:

OK.

SCHATZ:

... and they're mostly about process so yes or no or quick sentence would be great. Do you have any more details since this piece of paper was released on April 26th?

MNUCHIN:

We -- we have a large team of people that is -- is working. Yesterday I met with the finance committee. We are having outreach to lots of different people and we expect in -- in the near term to have something with a lot more details.

SCHATZ:

So is it fair to say -- I mean I'm looking at your proposal and -- and media reporting around it. Yes or no, is accurate to say that the plan cuts the corporate tax rate, cuts the pass through rate, reduced the top marginal tax rate for individuals, eliminates the AMT and eliminates the estate tax?

MNUCHIN:

That is correct.

SCHATZ:

OK. So I think it was two days ago or maybe three, Leader McConnell made a statement that tax reform must be paid for, is that the view of the administration?

MNUCHIN:

Again, it'll paid for through growth. So, yes.

SCHATZ:

Is that -- so I just -- sorry my colleague got a chuckle out of that, I'm trying not to. But I guess the -- the question I have, and let's just be really blunt here, I understand your position which is essentially tax cuts pay for themselves. But -- but I think what I'm hearing is you're not concerned with the sort of formal processes that determine whether or not, at least in the context of the legislative branch, something is paid for.

You're -- you're basically asserting, not just through dynamic scoring which is a new technique of measuring the impact of legislation that -- that the congress adopted over the last four or five years. But you're saying, you know what we're just going to ignore CBO and -- and just hope, allege, assert that tax cuts always generate more revenue and pay for themselves...

MNUCHIN:

No -- no -- no that's not...

SCHATZ:

... and that is a --that's a -- but that's a change in the way that tax policy is being made.

MNUCHIN:

Again, let me just comment that this is math. So, you know, you can create models -- as we've seen during the financial crisis sometimes models work and sometimes models don't work.

SCHATZ:

But are you going to rely on the math of CBO or are you going to -- or are you going to generate your own arithmetic?

MNUCHIN:

Again, what -- what I've said, okay -- and let me just be clear, the tax reform is something that, obviously, the administration is driving forward but needs the support of the House and Senate. I believe that we will have three -- three scores. A static score, a dynamic score per the process with joint tax...

SCHATZ:

And then your score?

MNUCHIN:

... and we will -- we will likely have, developed out of treasury, we have over 100 people a view -- a different view of -- of growth and show those numbers and when it's voted on...

SCHATZ:

So you're going to have a -- you're going to have a -- you said a static score, a dynamic score and then a treasury score?

MNUCHIN:

Again, what I'd say is there -- there'll be a joint tax score and there will be a score that shows what we believe the impact is, that's correct.

SCHATZ:

So Senator McConnell also said that a border adjustment tax would not pass the Senate. My view is that the same is true for a value added tax. And I guess, as I'm looking at the so-called loopholes that you're looking at closing, without a VAT or a BAT you're just not going to be able to generate the revenue to do tax reform.

So my concern is that either you're going to try to jam a VAT or a BAT through or you're basically not doing tax reform, you're doing tax cuts unpaid for with a sort of little -- little bit of spin on the ball. So could you just allay my concerns that you actually -- I understand we may have a different view of the -- of the revenue impacts of tax cuts, that's a -- that's an interesting and legitimate conversation to have. But you can't possibly believe that we don't need to generate some revenue to make up for the holes that we're creating in the tax code.

MNUCHIN:

First of all, we absolutely believe that we have to generate revenue and that's why -- again, we're trying to create...

(CROSSTALK)

SCHATZ:

So if not a VAT and a BAT then where?

MNUCHIN:

Can I just answer?

SCHATZ:

Sure.

MNUCHIN:

So we absolutely believe we need to generate revenue. We are very concerned about the debt, okay. And we will go through the math and show you. This is, clearly in the case of business taxes there are many, many companies that pay much less than the 35 percent rate and there's many companies that leave foreign profits off shore.

This is all about broadening the base and in regards to the BAT we have said to Chairman Brady, in its current format it doesn't work although we'll look at something else if they want to pursue...

SCHATZ:

I'm over time. I'd just like to make one final comment with the permission of the -- of the Chairman.

CRAPO:

Briefly.

(LAUGHTER)

SCHATZ:

And I -- and I apologize. What concerns me is that -- it seems to me that you're very sure about where you want to cut taxes and you're very vague about how you want to generate the revenue to make up for those tax cuts and that is a dangerous position to be in because they're -- all the things you're sure you want to do mostly benefit the wealthiest among us and all the things that are very vague and may be done in secret and in private are things that may be -- may be harming most of our constituents. And that's my deep and abiding concern about this process. Thank you.

MNUCHIN:

Well there -- there's nothing that will be done in deep and secret when the tax bill is generated it will have all the specifics and it will have the distribution and there will be complete transparency in the process.

CRAPO:  
Senator Donnelly.

DONNELLY:  
Thank you Mr. Chairman.

I just want to follow up and support the comments of my colleague Mr. Schatz that what's actually happening is the appearance is that will be making those working class families, ones who are struggling the most are going to be the ones who funds go away from to help the richest among us. And we find ourselves with \$20 trillion now, \$20 trillion in debt and we were going to dynamically score our way out of \$20 trillion in debt for the last 30 years and we just find that the pile gets bigger and bigger and bigger.

And I laughed one time when somebody said to me about the dynamic scoring, I said "well then theoretically, if we go to zero we should have more money than we every dreamed of in history because as the tax rates go lower and lower and lower, we theoretically have more income coming in."

And so one of my greatest fears as I look at the tax reform, as I look at where we're going, as I look at the budget that goes forward, we have budgets that dramatically increase spending in areas and tax reform that has huge cuts. And I think all you're doing is just adding to the deficit which is incredibly irresponsible to the children of this country.

MNUCHIN:

Well, I can assure you we have no interest doing that and the fact that the -- the deficits and the national debt went from 10 trillion to 20 trillion is something we're very concerned about and again, as I've said before, if we make cuts this is going to be about broadening the base and paying for it.

DONNELLY:

But we've heard that before and you've seen in various times where the deficit just increased when we...

MNUCHIN:

Well, actually, the time we had a surplus under Clinton and Secretary Rubin was where the economy grew incredibly which nobody expected. They never thought they were -- they couldn't have predicted that type of revenue. This is all about we need to create economic growth and I hope that's something everybody in this room will work with us on.

DONNELLY:

And then we had follow-on tax cuts after that that blew up the deficit as well. So you know, there were specific tax cuts that occurred after that that increased the deficit but I also want to talk about outsourcing. And the president has talked about how this is one of his biggest priorities, is stopping outsourcing.

My state Indiana is where Carrier is, it's where Rexnord is, it's where these workers who did an amazing job creating the best products in the world were summarily fired for no reason other than \$3 an hour wages in Mexico. And I was disappointed to see that the recent tax proposal did not have



any provisions that addressed outsourcing in regards to things such as clawing back tax breaks for companies that move jobs overseas or incentivizing companies to invest in our communities.

And when I met with President Trump, I met with him at the White House and told him about an outsourcing bill I have, he -- he was very, very supportive of this. And so what I would like to get is any specific policies that you're working on now in a tax reform package to address this outsourcing, to incentivize that keeping jobs here, to claw back any tax breaks that go to companies that are moving jobs overseas. I'd love the details of that.

MNUCHIN:

OK, well first of all let me say I'd be happy to get together with you and go over your ideas or your outsourcing. I can assure you that the president...

DONNELLY:

And the good part was I laid them out to the president and he told me he was 100 percent behind me.

MNUCHIN:

I will -- I will get together with you and we will go through them. I can assure you, the president is very concerned about jobs leaving this country. I think that you know one of the main reasons why he wants to renegotiate NAFTA in the case of Carrier and others, you know, he personally picked up the phone and made calls and we are very concerned about that.

DONNELLY:

And we have supported all of those efforts.

MNUCHIN:

In -- in all of my trips overseas, I have told my counterparts we expect free and fair trade and better trade deals and that for too long, American workers have been hurt by jobs leaving this country whether it's because we have an uncompetitive tax system or whether we have bad trade deals and the president has talked about the concept of reciprocal deals and reciprocal taxes.

DONNELLY:

I am about out of time, but I want to ask you about one more subject, currency manipulation. For a long time we've suffered in Indiana. We've seen products dumped on our shores, we've seen steel dumped in our state and around our country and currency manipulation has been a big part of that. The president promised to label China a currency manipulator.

China has been able to rack up a huge trade surplus because of artificially keeping their currency low over the years at the expense of our companies. And in your testimony you state that the Treasury Department found no major trading partner currently meets the criteria to be considered a currency manipulator including China. I guess the question is what happened?

MNUCHIN:

Again, first of all, thank you because we did a lot of work, I brought...

DONNELLY:

No, I'm very impressed and it's a very attractive graphic.

MNUCHIN:

Page 13...

DONNELLY:

But the president told us that -- he said China was currency manipulator, what happened?

MNUCHIN:

Page 13, we specifically reference, OK, China's intervention for roughly a decade, OK? And there is no question that they did. This is for a very specific period of time. We went through a very specific test. If anything, during this period of time, China has used their currency reserves to go the other direction which is actually good for American workers and I've had very specific conversations with my counterparts that we will continue to monitor this behavior very carefully. I'm glad you like the graphs.

DONNELLY:

Very attractive. I'm a lot more concerned about the currency manipulation though. Thank you, Mr. Chairman.

MNUCHIN:

So are we, I can assure you.

CRAPO:

Thank you, Senator. And Secretary Mnuchin, a vote has been called, but questioning is concluded.

Senator Shelby wants to make one brief statement and then actually Senator Brown wants to make, I guess a statement and a couple of real quick questions and then we will be wrapped up. Senator Shelby.

SHELBY:

Mr. Secretary, we appreciate your appearance and your candor here today, you're a breath of fresh air. We want you to stay that way. I want to pick up on the Export-Import Bank and the question by the senator. I believe that the two nominees by the president, Former Congressman Garrett and Bachus are good appointments.

I do have some fundamental differences with the role of the bank, a lot of us do. We believe that -- I had two days of hearings when I was chairman of the committee of trying to reform the bank because about -- if my number's about right, what I've been told, you would know offhand that about \$2 trillion of our exports each year, a little more than that, and only about 1 percent or 1 percent or something use the Export-Import Bank. And that we all know that the bank is used primarily by -- as far as the numbers, by one or two big companies. A lot of us believe that's corporate welfare, you know, that bothers us.

I would hope that the administration -- and the president talked about this at one time, would look at ways to reform the bank. I know that's separate legislation than just the nominees themselves and I hope you will not close your eyes to that because you know a lot about the private market.

MNUCHIN:

Not -- not only would I not close my eyes, I would welcome working with you and the committee. We do support reopening the bank for more than \$10 million loans but we also have a team at Treasury who has worked and will work with you in making sure that it's not just for two large companies.

SHELBY:

But all of the majority of the Republicans in the Senate a year or so ago voted against reauthorizing the bank because we could not get real meaningful reform. So that's -- that'd be a priority I think for a lot of us. Maybe not all...

MNUCHIN:

We will work with you on that.

SHELBY:

Thank you.

CRAPO:

Senator Brown.

BROWN:

Thank you and I wanted 30 seconds to address what Senator Shelby just said. The blemish on this committee and this committee some stonewalling last year affected economic growth because we didn't have -- we didn't have a functioning Export-Import Bank as you just said, Mr. Secretary, for over \$10 million. A couple of real quick questions.

I know there's a vote called in the floor. Are you aware, Mr. Secretary, of any White House -- these are really housekeeping measures that the chairman and I sometimes do. Are you aware of any White House guidance formal or informal urging administration officials not to respond to or to delay in responding to Democratic senators?

MNUCHIN:

I am not.

BROWN:

OK. Thank you for that. You committed to Chairman Hatch you'd respond to finance committee members' questions. Will you commit to responding to this -- members of both parties of this committee in a timely manner to all requests for information?

MNUCHIN:

Yes, I will.

BROWN:

Good, thank you. And the last question is a little longer but I hope you can do it quick. Are the treasury and FHFA working together to prevent another draw on Treasury by the GSEs? If so, how are you doing that?

MNUCHIN:

I'm sorry, what was the question?

BROWN:

I'm sorry, would -- are Treasury and -- and Mel Watt and you working together to prevent another draw on the Treasury by the -- by the GSEs? And if so, how are you going to do that?

MNUCHIN:

No. My conversations with Mel Watt have been specifically one around the dividend and that we believe the dividend payment should be paid and two, that we are willing to work with him and with Congress on housing reform. Those are the conversations we've had.

BROWN:

OK. Thank you for that. Thank you. Thank you, Mr. Chairman.

CRAPO:

OK, Senator -- thank you. Senator Warren has come back and she wants to briefly ask a few questions. We will do that and then we will be done.

WARREN:

OK and I will not ask about Glass-Steagall, I'll ask about something else. I want to ask about the tax proposal that the administration released a few weeks ago. It proposed slashing the rate on all pass through entities, partnerships, LLCs, S corps to 15 percent. So I just want to take a look for a minute at who that benefits.

Seventy percent of all income from pass through entities goes to the top one percent of tax payers, that's households making more than \$450,000 a year. And according to an analysis this week from the nonpartisan Tax Policy Center, this pass through change would put over \$1 trillion in the pockets of the top one percent of households while 95 percent of middle income households would receive zero in tax benefits from it.

So other than creating new tax deductions for yachts, it's hard to come up with a more targeted tax cut that goes to the rich other than this -- this cut on the rate on pass throughs. So, Secretary Mnuchin, with working families struggling to make ends meet, why is this administration giving the ultra-wealthy this massive tax cut?

MNUCHIN:

So I can assure you and I've said this repeatedly, we are not going to allow all pass throughs to get that rate. We are going to make sure that small and medium size businesses have the benefit. But we will put procedures in place, and I specifically said this, to make sure that people who should be paying higher taxes do not use pass throughs to arbitrage the system.

WARREN:

So if I can just understand, there are two parts to your answer that I just want to make sure I'm understanding what you're saying. Are you saying people who currently receive pass through, under your proposals may not receive pass through in the future?

MNUCHIN:

Again, the concept is that there'll be a box that you have to check that says, I'm eligible for the business tax...

WARREN:

OK, and are you...

MNUCHIN:

... which is 15 percent. And there will be qualifications around. So no it is not...

WARREN:

But -- so -- will that shrink up the number of people who receive it now? Because right now -- I'm not talking about new people coming in, it's a trillion dollars in tax breaks to the top one percent.

MNUCHIN:

I -- trust me, we've run the numbers and despite the fact that lots of people have asked me these questions, we are sensitive to the deficit and everything else. And you're correct, if we let every single pass through holder that would be purely arbitraging...

(CROSSTALK)

WARREN:

That's currently a pass -- I'm not changing it, currently a pass through.

(CROSSTALK)

MNUCHIN:

... the system. Yes, that's -- that's correct we are not going to allow...

(CROSSTALK)

WARREN:

You are not going to do that.

MNUCHIN:

... every single pass through and, specifically, people who are making lots of money will not be able to use pass throughs. There will be criteria as to whether you're eligible for the business tax if you're pass through. It will not be available to everyone.

(CROSSTALK)

WARREN:

And you're -- and you're going to limit this to small businesses?

MNUCHIN:

Small and medium sized businesses, yes.

WARREN:

OK, limited to that. I -- that's what I wanted to understand, thank you very much for the indulgence Mr. Chairman. Thank you.

CRAPO:

Thank you very much. And now the questioning has concluded and Secretary Mnuchin the hearing is concluded. I wanted -- before I hit the gavel though I just want to thank you for your openness and your work with the committee.

I -- I mirror what Senator Toomey said, you -- you've been very willing to give us your time, both in formal hearings as well as in private meetings with the senators of this committee and of other committees and I appreciate your outreach to us. Thank you very much for being here (inaudible).

MNUCHIN:

Thank you, pleasure.