

Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks
House Financial Services Committee
September 21, 2022

Opening Statements

Chairwoman Waters (D-CA) remarked that she has prioritized conducting rigorous oversight over America's largest banks and activities and discussed the crises over the past year that have battered the economy. She continued that providing affordable credit to consumers is critical and said that our nation's largest banks got even bigger during the pandemic in part because of mergers and said that we need to get to the bottom of who mergers are actually benefiting. Waters discussed the examination of banks in minority communities and was eager to hear how communities of color can get fair opportunities to build wealth and said that she planned to ask the banks about their diversity and inclusion provisions. She also wanted to hear what the banks are doing to ensure that harmed customers are identified and made whole. Waters said that many of these banks have earned the title of 'repeat offenders' and said that these fines pale in comparison to the profits the banks make and wanted to hear how the banks are working to update compliance practices and how to comply with the law. She discussed scams with money transfer apps like Zelle and also wanted to hear about efforts the banks are taking regarding gun violence and the overturning of *Roe v. Wade*.

Ranking Member McHenry (R-NC) disagreed with the premise of the hearing and said that the Committee has done little to hold agencies accountable and said that this hearing is theater, not oversight, and that Committee Democrats have failed in oversight miserably. He said that Democrats prefer to talk about social issues rather than economic issues. McHenry continued that Democrats are targeting popular products like BNPL, overdraft, and P2P payments and said that getting rid of these products threatens the financial system. He discussed inflation and how it continues to clobber American families, especially low-to-moderate income families. McHenry talked about the lack of affordability in the housing market and said that the administration is treating the Treasury as its own personal megabank. He mentioned the relief of student loan debt and thought that we should focus on how Americans want to live and work. McHenry said that this hearing offers no solutions to struggling Americans.

Rep. Perlmutter (D-CO) said that banking is built on trust and said with the passage of Dodd Frank, our banks have been well capitalized and have held up strong during the pandemic. He mentioned unfair use of credit scores, payment fees, and modern-day redlining saying that we still need to work to ensure that banks are working for everyone.

Witness Testimony

Andy Cecere, *Chairman, President, and CEO, U.S. Bancorp*, discussed digital enhancements to banking including the application accessible by phone, offering a 'Simple Loan' product which allows a loan of up to \$1,000 and can approve this loan within 15 minutes, and launching 'access home' which is a program to increase black homeownership and how they have

partnered with community organizations on this effort. He shared the efforts US Bancorp has taken on diversity and believed that relationships are at the core of the bank. Cecere emphasized that the commitment to serve customers will never change.

William Demchak, *Chairman, President, and CEO, The PNC Financial Services Group*, mentioned that PNC is not a global, systemically important bank but is a bank committed to serving consumers in a transparent way. He noted that PNC was the first mover among large banks in modifying overdraft practices and providing relief to consumers. He discussed scams and fraud and said that this bad activity needs to stop before they occur. Demchak explained that PNC does not charge a fee to use Zelle, giving customers a convenient, accessible and low-cost way to send and receive payments. He also acknowledged how bad actors have sought to use the near real-time feature of P2P payment services, such as Zelle, Cash App and PayPal, as schemes to defraud consumers. At PNC, Demchak said that they take seriously their obligation to protect consumers from fraud. He reaffirmed PNC's commitment to communities which is reflected in their outstanding rating under the Community Reinvestment Act (CRA); in fact, they are proud that PNC has received an outstanding CRA rating in every CRA evaluation since the CRA was enacted in 1977. Demchak also noted the diversity at PNC saying that nearly 50 percent of the independent directors on our Board of Directors are women or people of color, and 50 percent of the executives that report directly to him and who are members of the management Executive Committee are women or people of color.

Jamie Dimon, *Chairman and CEO, JPMorgan Chase & Co.*, remarked that the free flow of credit and investments is key to our nation's global competitiveness. Free enterprise is the flywheel of the economy as capital seeks out the investments, individuals and ideas that drive growth and innovation. And free enterprise celebrates, and is inseparable from, human freedom and creativity, which ultimately are the stimuli for all human progress. He stated that what this country needs most is free enterprise, extraordinarily competent government and policies, and more civic-minded companies and citizens. Dimon stated that JPMorgan Chase finances federal, state and local governments for infrastructure projects for schools, bridges, hospitals, universities and transit. He added that JPMorgan Chase finances Americans' ambitions with loans for homes, automobiles, and growing a small business, and provides valuable products and services to more than half of American households. Dimon reaffirmed JPMorgan Chase's commitment to spending more with Black, Hispanic and Latino suppliers, improving financial health and access to banking for the underbanked, investing in minority depository institutions (MDI) and community development financial institutions (CDFI), and investing in communities through philanthropic capital. He wanted the public to know how proud he was of the hardworking employees at JPMorgan Chase and noted that the bank has employees in every state of the US.

Jane Fraser, *CEO, Citigroup*, remarked that while the world has changed a lot in the last few years, Citi's commitment to serving the millions of Americans and thousands of businesses they call customers has not. She stated that the reforms Congress has put in place – and the work they

have done since the financial crisis to strengthen their bank's financial foundation and risk management have enabled them to continue serving as a source of stability. Fraser said that banks are essential to American competitiveness abroad and a reason why the U.S. is a top destination for foreign investment. She reported that Citi partners with the most iconic American institutions, including the federal government, to navigate markets. She discussed how last year, Citi worked with state and local governments to catalyze more than \$27 billion in infrastructure, such as schools, hospitals and roads. Fraser added that many of these large projects wouldn't have been possible without a bank of Citi's scale to back them. She reported that earlier this year Citi was named the largest financier of affordable multifamily housing in the country for the 12th consecutive year. She stated they are proud of their leadership in this space. Over those 12 years, she said that Citi has helped create or preserve nearly 400,000 affordable housing units across the U.S. In 2021 alone, the \$5.6 billion Citi financed went to support 32,000 new affordable housing units in 32 states from California to Ohio to New York. Fraser turned to diversity, explaining that earlier this year, Citi launched a first-of-its kind diverse financial institutions group to lead their engagement with minority depository institutions (MDIs) and helped them to scale and expand into new markets. She added that this work includes a groundbreaking rotational program that embeds Citi executives within MDIs for up to a year. She hoped her pride in Citi's story had come through but clarified recognizing the need to continue improving.

Brian Moynihan, *Chairman and CEO, Bank of America*, reported that Bank of America currently pays its hourly employees \$22 an hour and is on track to paying \$25 an hour by 2025. On diversity, he reported that the management team is 55% diverse, including 32% women. And, he stated their Board is 53% diverse, including 33% women, and our Lead Independent Director Lionel Nowell, who is Black, was named "Independent Director of the Year" by Corporate Board Member magazine. He added that the workforce is 50% women and 49% people of color, reflecting the clients and communities they serve and have also worked to narrow the gaps at their leadership levels across the company. Moynihan discussed the steps Bank of America has taken to help ensure all clients were able to access their funds immediately. Additionally, he said that Bank of America provided overdraft credits to help those with a negative balance on their account access the full payment amount. If a client had a negative balance on their account when they received a stimulus payment, they provided a temporary credit to their account—for at least 30 days—equal to the amount of the negative balance. Through this expanded support, Bank of America has helped more than 1 million clients access the full amount of their stimulus payment. Moynihan discussed how Bank of America remains the nation's largest private investor in CDFIs, which provide affordable, responsible lending and support to low-income and other disadvantaged clients and communities. By funding CDFIs, he stated that Bank of America helps make it possible for credit to flow to needs they might otherwise be unable to serve through direct lending. Moynihan reported that the balance sheet is the strongest it's ever been.

William Rogers Jr., *Chairman and CEO, Truist Financial Corporation*, remarked that Truist's purpose statement intentionally begins with the words "to inspire." He reported that Truist pays

its hourly employees \$22 an hour and stated that Truist exceeded the goal to increase ethnically diverse representation in senior leadership roles to at least 15% — a year ahead of their original commitment. On January 18, 2022, he noted the announcement of Truist One Banking, a new, differentiated set of products to redefine everyday banking and accelerate clients' journey toward purposeful growth and financial well-being — all with no overdraft fees. He welcomed opportunities to work more with law enforcement and the government at all levels to protect against fraud and other bad activities. Additionally, Roger reported that Truist was the fourth-largest lender by dollars in the Paycheck Protection Program (PPP), funding approximately \$17 billion across nearly 120,000 loans to assist approximately 80,000 small business clients and supporting over 2 million jobs. He stated that Truist is pleased to advise the Committee that, through August 2022, we estimate that our combined lending, investing and philanthropic financing activities already exceed \$60 billion. Further, he said that based on where they are today, they are confident that Truist will deliver on each and every one of their Community Benefit Plan commitments by the end of 2022. Rogers emphasized that Truist is a purpose driven company and looked forward to any questions.

Charles Scharf, *President and CEO, Wells Fargo & Company*, reported that Wells Fargo supported the PPP by funding roughly 280,000 loans totaling approximately \$14 billion, working with clients of all sizes to provide flexibility and assistance where needed; in particular, they were an industry leader in working with smaller businesses to get them the support they required. He continued that last year alone, they helped more than half a million homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage and closed billions of dollars in new commitments for affordable housing. Scharf said that Wells Fargo has also increased average wages for U.S. hourly employees by nearly 25 percent over a five-year time period and, over the same time period, increased their investment in U.S. employee benefits by more than 20 percent. He discussed the issuance of Wells Fargo's first sustainability bond in 2021, named the Inclusive Communities and Climate Bond, which raised \$1 billion in capital aimed toward projects that support housing affordability, socioeconomic advancement and empowerment, and renewable energy. In April, Scharf mentioned the announcement of a new initiative to help advance racial equity in homeownership across the country, including the development of a unique refinance mortgage Special Purpose Credit Program ("SPCP") to help eligible minority homeowners whose mortgages are serviced by Wells Fargo (starting with Black homeowners) lower their interest rates and subsidize closing costs. Additionally, Scharf reported that last week Wells Fargo announced that it will commission an external, third-party racial equity audit. He explained that the assessment will include input from both internal and external stakeholders and focus on elements of Wells Fargo's efforts to serve diverse communities and promote a diverse workforce. Scharf believed that commissioning this work is a critical next step in reinforcing their commitment to racial equity and closing the wealth gap in this country. He thanked all of the employees at Wells Fargo for their continued work in striving to make the company better.

Member Questions

Chairwoman Waters (D-CA) started with Scharf and recognized that he has only been the CEO for about 3 years and has listened to his progress and his promise to clean up the culture at Wells Fargo. She mentioned the OCC fine regarding risk management and said that in May of this year, employees talked about fake job interviews so that diversity goals could be achieved. Waters said that Wells Fargo has failed to report its diversity statistics and read a quote from a former employee who said that it is discouraging to be a person of color at Wells Fargo. She appreciated that Wells Fargo has continued to remain a presence in the Caribbean and announced a third-party racial equity audit. Waters questioned why Wells Fargo is the worst mortgage lender for black homeownership and asked Scharf to respond to these criticisms. Scharf answered that he has been clear since he arrived that it would take years to make all the necessary changes to Wells Fargo. He continued that he has closed 4 consent orders since he has been there and changed the CRA rating to 'outstanding'. Scharf was confident in the continued progress. Waters asked him to respond about the accusation of fake interviews. Scharf replied that no one should interview without the belief of thinking they could get a job and said that there is a policy in place to attract diverse candidates and discussed that this is why diverse hiring has increased since the policy has been implemented. Waters asked if it was true that Wells Fargo interviewed a black individual for a job when it was already filled by a white individual. Scharf replied that Wells Fargo would investigate any claims related to unfair hiring practices.

Ranking Member McHenry (R-NC) discussed inflation eroding families' budgets and wanted to know the impact as the banks have seen it. He asked Fraser about the challenges of a high inflation environment. Fraser was concerned about the high prices around the world and the US. McHenry talked about regulatory capital and turned to Rogers on long term debt requirements and asked what impact a new layer of capital requirement would have on Truist. Rogers thought that regulation should be tailored and follow the risk of individual institutions. He said that capital at a higher cost could slow down the ability to lend. Cecere replied that the capital levels have risen the past couple years and said that increased cost of capital would increase the cost of debt. McHenry said to Dimon, you spoke yesterday about additional requirements for regulatory capital requirements, what effect would this have on the market? Dimon replied that I give credit where credit is due, Dodd Frank did what it was intended to solve but said that Basel requirements, liquidity requirements and other regulations increase costs and said that we may need to spend more time recalibrating regulation. McHenry said there's a cost to this and you won't lend as much in the markets and the markets will be choppy with regulation and increased capital. Moynihan said there is no question that an increase in capital by 1 percent will impact our ability to lend 160 billion loans into the economy. McHenry ended with a statement saying the economic cost to regulatory requirements that are behind the economic need are actually hurting the market and our economy.

Rep. Maloney (D-NY) thanked the panelists for their comments, especially those who mentioned reducing overdraft fees. She said that the CFPB reported that overdraft fees cost billions of dollars to Americans and that overdraft fees are more likely to be charged to minorities. Maloney was concerned that many banks still have not made changes to overdraft fees and urged a comprehensive solution to overdraft fees and referred to her *Overdraft Protection Act*. She asked Fraser and Moynihan to elaborate about product offerings to reduce or eliminate overdraft fees and asked how the consumer banking provision has still remained profitable. Moynihan replied that Bank of America offers a no overdraft product and the ability to opt into overdraft. He added that the overdraft fee has been reduced as well and said that Bank of America is able to do this through the strength of its consumer banking. Fraser answered that Citi has eliminated overdraft fees and NSF's and committed to a customer friendly approach to any fees. Maloney asked if any other banks could commit to getting rid of overdraft completely by 2025. No other panelists responded. Maloney turned to inflation and asked Fraser and Moynihan about any programs or ideas as to how homeownership can be increased even with rising interest rates. Moynihan replied that Bank of America provides down payment assistance, programs to develop housing in low-income housing communities, and said that as rates are adjusted, it will take a period of time to sort through that.

Rep. Wagner (R-MO) noted that the bank CEOs have already testified twice this Congress and said that while the Committee is focusing on this, the SEC is on track to make a record number of rules while the majority refuses to bring in Chair Gensler for an oversight hearing. She noted that the Senate Banking Committee had no problem bringing Gensler in just last week. Wagner discussed inflation and scoffed at the White House celebrating the Inflation Reduction Act last week. She questioned why the Committee is not having hearings to address inflation. Wagner turned to Cecere and Fraser on the implications of sustained inflation and asked about savings and credit card debt. Cecere replied that inflation is impacting those who can afford it the least and said that discretionary and nondiscretionary items have increased. He stated that savings levels continue to be elevated from the pandemic but have stabilized over the past couple months. Fraser replied we are still in the early days to see the impact of high interest rates on the consumer but said that fortunately, families entered this inflationary period with strong balance sheets. She worried that in the future, we may see savings rates coming down and expected tougher times ahead.

Rep. Sherman (D-CA) commended the SEC on addressing the backlog of rulemakings that needed to occur and celebrated the Inflation Reduction Act. He turned to ESG investing and said that back in March, Dimon would mull over the possibility of removing Russia from its ESG fund suit and asked if this happened. Dimon replied probably and would get back to him. Sherman discussed Russian sanctions and a loophole that the US subsidiaries of corporations are not legally bound to and hoped that the banks here were not exploiting this loophole. He asked if Chase has cut its ties with Gazprom and Vital. Dimon declined to call them loopholes and said

that JPMorgan Chase is following the law. Sherman asked Fraser if Citi had cut its ties to Lukoil and Vital. Fraser attempted to answer, and Sherman took that as a no. Sherman asked about the bank's financing investment in crypto mining and asked the panel about this. Fraser replied that Citi will not be. Moynihan said no. Cerece replied no. Sharp said no. Sherman turned to limits on margin lending which he said is designed to protect the lender and in this case the lender is you and you are systemically important and designed to protect investors and protect the capital markets; that's why in equity investments there is only a 1-1 margin but the total default swap is a loophole that permitted Archegos to get 9-1 margin. Sherman asked whether he could commit now to follow the rule that we provide the 1-1 margin. Sherman added that with Archegos, the cost to the lenders was well over \$5 billion. Cerece said we have no relationship with that firm and do not use these swaps to avoid the margin limit.

Rep. Posey (R-FL) stated that in May, Dimon told consumers to brace themselves for an economic hurricane and asked Dimon if he still felt this way. Dimon replied that balance sheets are strong, and wages have increased but there are challenges with stagflation and the war in Ukraine and said that we do not know the full impact yet. Posey asked what is the most urgent regulatory reform that HFSC can make to help the economy. Dimon replied that with inflation, rates have to go up which will reduce demand, spending less money will also reduce demand, and said that regulation may reduce the burden on businesses which could increase production. Posey asked about the Fed's financing of congressional spending and its impact. Dimon thought that the government did a good job of addressing the pandemic early on but since then, fiscal spending has been \$6 trillion and said that we are paying the price for too much fiscal stimulus. He said that we need to do what we need to do to reduce inflation. Posey asked if it is likely for the Fed to achieve a soft landing with reducing inflation without a significant decline in economic activity. Dimon did not want to speculate but said that there is a chance of recession and with the war in Ukraine, there is a chance for the situation to get work. Posey asked if ESG ratings are useful to inform consumers. Dimon replied that ESG ratings need more work to determine the meaning of them. Posey asked Dimon what he thought our nation's near-term strategy should be in terms of energy and gas. Dimon said that we need proper investment in the oil and gas complex and believed this was actually good for lowering carbon output and said that we need proper rules and regulations to reduce CO2.

Rep. Meeks (D-NY) began by asking Dimon about Chase's commitment of releasing a racial equity audit by the end of the year and focused on a more equitable approach. Dimon replied that he is proud of JPM's efforts to improve diversity and said that hiring and training are not part of the audit, but JPM will be reporting on those metrics. Meeks asked about investing with diverse asset managers. Dimon said that vendor efforts are included in the audit and are also reported outside the audit. Meeks turned to homeownership and asked Scharf about Wells Fargo's decision to reduce its mortgage lending business and asked about both the factors' Wells considered when deciding to shrink its mortgage lending and about the impact on minority

communities. Scharf replied that Wells Fargo is committed to home lending and committed to increasing black homeownership. He noted that the mortgage market has changed dramatically and said that regulations are inconsistent among banks and nonbanks and that the nonbanks have taken a larger share of the market. Scharf also noted that Wells Fargo will continue to lend to those most in need. Meeks emphasized the importance of closing the wealth gap. He was concerned about climate change and the reporting of Scope 1 and Scope 2 emissions and asked what Bank of America's position is with Scope 3 materials and asked for the answer in writing.

Rep. Huizenga (R-MI) noted that the bank CEOs have testified before the Committee more than SEC Chair Gensler and wished that the Committee would pay more attention to the regulators rather than those who the regulators are regulating. He asked if the banks comply with US and international sanctions. Dimon and Fraser replied yes. Huizenga noted that he previously asked them what their one issue that was the biggest barrier for them and he wanted Dimon to clarify his answer in which he stated: public policy was the one barrier. Dimon replied that there is a lack of growth in our economy and that the US needs to strive for growth. He added that we need to improve infrastructure, expensive healthcare, inner city education, excessive litigation, regulation around mortgages, etc. Huizenga begged the CEOs to not offer a 50-year mortgage and said that we need to get at the root cause of why housing is not affordable. Huizenga asked about how Dimon is balancing the shift with shareholders regarding SEC rules. Dimon replied that Chase values its shareholders and will comply with any SEC rulemakings. Huizenga mentioned mergers and asked if retail banking is a highly competitive business. Rogers said yes. Huizenga asked if the Truist merger allowed the bank to decrease accessibility to its customers. Rogers believed that the merger allowed Truist to increase accessibility to customers especially during the pandemic.

Rep. Scott (D-GA) discussed protecting consumers from online fraud and theft and talked about working on public-private partnerships to address this and said the technology is overwhelming. He turned to Rogers on his support of public-private partnerships and asked Rogers how he saw this partnership working to ensure that we have federal law that will provide electronic transfer protection for our defrauded consumers. Rogers replied that this fraud is perpetuated by organized criminal activity and said that there are existing role models in cybersecurity and saw the same opportunity to deal with fraud. Scott asked how to reimburse victims who have been scammed by electronic transfers. Rogers replied that Truist does reimburse victims and added that we need to focus on eliminating fraud and criminal activity. Scott turned to Dimon on reducing the number of unbanked individuals and asked what Chase is doing to bring in unbanked people. Dimon replied that 25% of branches are in LMI communities along with community education efforts which he said have worked well. He added that Chase is part of the OCC's BankOn program. Scott asked what Chase is doing to overcome mistrust that many people have in the traditional banking system. Dimon invited Scott to visit the branches in LMI communities to show how Chase is making people comfortable and confident.

Rep. Lucas (R-OK) discussed inflation and asked how customers are being advised for economic challenges. Moynihan replied that inflation needs to be dealt with and how Bank of America educates customers and small businesses about the impact of increased interest rates. Lucas referred to a speech made by Vice Chair Barr on the Fed considering how to develop and implement risk-related scenario analysis and he worried about climate stress tests increasing capital requirements and the negative impact on capital markets. He said that climate scenario design remains an obstacle as well as the high potential for politicization and asked Dimon to discuss his perspective on the argument that the Fed should tie climate risk with increased capital requirements. Dimon replied that Chase conducts 100 different stress tests a week while the Fed conducts one stress test a year and said that weather-related stress tests are necessary but not social and governance stress tests. Lucas asked about state-owned Chinese banks and the role in the banking system and asked about the challenges this creates with global competition for US companies. Dimon replied that Chinese banks have fewer capital requirements and said that all the banks play a role in the financial ecosystem. He said that the world needs big banks and committed to do everything he could to compete with Chinese banks and emphasized US dominance in the global financial market.

Rep. Green (D-TX) discussed slavery and the generational economic impact this has had. Green pointed out that some of the panelists' predecessors had used slaves as collateral. He mentioned the each of the banks' investments in slavery and asked if the panelists feel that they have done enough to atone for slavery. None of the panelists raised their hands. Green wanted each of the banks to publish an atonement plan. Green asked if a person of color will head their institutions in 10 years. Rogers raised his hand in the affirmative.

Rep. Barr (R-KY) was skeptical of ESG and the weaponizing of financial regulation and opposed the imposition of EU stress testing. He discussed the flawed SEC climate rule and thought this would steer retail investors into higher cost and lower return ESG investments. Barr commended the banks for denying the claims of climate alarmists and turned to coal, asking if a coal company with a strong balance sheet and low credit risk should have equal access to the financial system as a natural gas company. Dimon replied yes and said that Chase is working with responsible coal companies who have helped reduce CO2 emissions. Barr turned to Moynihan on reducing inflation and the need to address the supply side and asked about the FDIC March request for information on the regulatory framework that applies to merger transactions involving one or more insured deposit institutions. Barr said that the FDIC actions signal a heightened regulatory resistance to bank mergers presumably on the grounds that consolidation of the banking industry which has significantly reduced the number of smaller banking organizations and increased the number of large systemically important organizations is a threat to financial stability. Barr asked Moynihan which of the following institutions is a more formidable competitor to Bank of America: SunTrust operating alone, BB&T operating alone, or

is it the combination of the two institutions now known as Truist. Moynihan replied that undoubtedly the combination of the two institutions is a more formidable competitor. Rogers was proud that Truist is a strong competitor. Barr said that an overly aggressive resistance to mergers by the FDIC could diminish competition at the GSIB level and undermine financial stability. Barr asked if the banks assess the impact of a CBDC as a positive or negative for the economy and credit markets and asked specifically how a CBDC would impact their deposit base and the ability to deploy capital into the economy. Dimon replied that if a CBDC is properly done it would be fine, but he was skeptical of this being properly done. He said that the Fed will not be running call centers and offering banking services are much more complicated than just issuing a token. Barr pointed to Barr's comments on capital requirements and asked Fraser what increased capital requirements would do to the ability of their customers to repair supply chains and her ability to deploy capital and fix inflation. Fraser replied that Citi passed its stress test and said that the question becomes raising the capital above that limit and its impact on the market.

Rep. Cleaver (D-MO) discussed the CRA and asked if anyone believes that the CRA does not need to be updated. No one responded. He asked if the panelists are interested in looking at ways to increase CRA to the extent that you could get CRA credit for affordable housing. The panelists responded in the affirmative. Cleaver discussed the increased role of non-bank lenders and reported that non-bank lenders originated 69% of all mortgages in 2020 and originate 4 out of 5 FHA loans which are more likely to be originated in LMI communities. He asked about the retreat of FHA loans and what the banks are doing to extend mortgages to lower income borrowers. Moynihan replied that while FHA loans have decreased, banks have offset this with banking programs like down payment assistance and work with consumers and counselors that will do more for the customer. Demchak agreed that the CRA needs to be revamped and added that PNC puts loans on their own balance sheet.

Rep. Luetkemeyer (R-MO) discussed investments in Russia and commended the banks for decreasing their assets there. He asked if the banks were prepared to pull their investments out of China if the CCP invaded Taiwan. Moynihan replied that Bank of America would follow government guidance on this. Fraser and Dimon echoed Moynihan's answer. Luetkemeyer asked if an invasion of an American ally would be enough for Chase to pull business out of China. Dimon replied that the first thing he would do in this case is call the government for guidance. Moynihan replied that he looks at clients and risk along with following government guidance. Fraser similarly answered saying that the first call would be to the government. Luetkemeyer asked what the bank would do if the government let the bank make the decision hypothetically. Fraser said that it would be likely that Citi would reduce its presence. Luetkemeyer discussed human crimes the CCP has committed against its people and asked if Moynihan condemned these actions. Moynihan replied that he looks at individual clients in a country, not the country itself. Luetkemeyer countered saying that the CCP is the country and Bank of America is doing business with the country. Moynihan replied that Bank of America does not do business with

companies that commit atrocities. Fraser replied that Citi does not do any activity with companies that participate in forced labor.

Rep. Perlmutter (D-CO) looked at recent months since May saying that prices have held steady or have dropped and asked what Bank of America's economists are predicting. Moynihan replied that economists have predicted a negative GDP for the last quarter of this year and for the first two quarters of next year. He added that predictions are that inflation will be at 2% in the fourth quarter of 2023. Perlmutter worried about an overreaction by the Fed and turned to Demchak about a subsidiary that suffered foreclosures in the 80s and 90s. He asked what PNC sees on the horizon in terms of foreclosures and if they are prepared for that. Demchak suggested that inflation is going to be stickier than preferred and will last longer than preferred and said that the impact on housing is already being felt, especially in LMI communities. He discussed PNC's work with government and state programs to ensure that people stay in their homes. Perlmutter asked if delinquencies have increased. Demchak replied no. Perlmutter asked if Chase is capitalized in the worst-case scenario. Dimon replied yes along with the other CEOs.

Rep. Williams (R-TX) discussed the recent changes to gun codes and quoted Visa's statement on this change. He agreed with Visa's statement and asked if the CEOs agree with the implementation of the MCC and Visa's public statement. Scharf replied that Wells Fargo does not make the codes but simply follows the rules. Rogers replied that Truist will follow the rules of the credit cards as well as protecting privacy according to law. Moynihan replied that the rules are not made by the banks, but he believes in privacy of customer data and was not sure if he agreed or disagreed with Visa's statement. Fraser does not intend to use the code to limit the sale of firearms. Dimon replied that Chase is not in the business of telling Americans what to do with their money. Demchak and Cecere echoed the previous statements. Williams asked Fraser what criteria Citi will use when determining if they should flag suspicious transactions with this new code. Fraser replied that Citi will follow the regulatory requirements, in terms of filing SARs, but it does not look like it will be factoring in filing a SAR. Williams asked how Bank of America would determine if a customer's first-time gun purchase warrants a SAR filing. Moynihan replied that if one bought a firearm, the fact that they purchased it has nothing to do with a SAR filing. Williams asked about the possibility of recession. Dimon replied that it is hard to predict the outcome.

Rep. Himes (D-CT) focused on risk and said that 70% of mortgage origination is outside the traditional banking system and asked about any risks associated with that. Dimon thought that these mortgage originations are riskier but are not a systematic risk. Himes asked about other risks we are not thinking of generally inside and outside the banking sector. Moynihan replied that there is more risk outside the banking system and thought that FSOC should be watching private lending funds that have leverage. He added that the amount of private credit in every asset class is halfway outside the banking industry. Himes asked about CLOs or high yield

market, and asked what Moynihan meant by private lending. Moynihan replied all of it, every single asset class sitting outside of our industry. Himes turned to Fraser, asking what we need to be wary of internationally. Fraser answered that the pandemic and war in Ukraine has highlighted fragility and that we need to pay more attention to energy, food, and cybersecurity. She said that while this does not directly affect the US, we need to be aware of shocks globally.

Rep. Hill (R-AR) thought that Lucas discussed the climate issue well and stress testing and asked Fraser if Citi is complying with climate stress testing in Europe and asked what these costs the company. Fraser replied that Citi is complying with stress testing and would get back to him on the cost. Hill acknowledged the passage of stress testing by all the banks recently and asked if the bank considers climate risk when building a tower in Miami for example. Moynihan replied of course they take it into consideration. Hill mentioned Casten's bill, HR 3572, which requires a climate stress test and requires capital if you fail the stress test and asked if it was a good idea. Fraser replied we are challenged with the idea because we don't have the data. Hill said it is not comparable between industries. Hill turned to privacy and how Bank of America complies with the European privacy laws along with California's privacy law and asked if federal preemption is necessary. Moynihan replied that they comply. Moynihan said the industry has been complying for years. Hill responded that Gramm Leach Bliley is good for privacy. Hill turned to Waters and said we need to make sure we work with E&C on privacy. Hill turned to Scharf on mortgage banking and how it has shifted to the non-bank sector and asked if regulation had anything to do with that. Scharf clarified that there is a difference between how banks and non-banks are regulated and stated that this will determine how the company operates. He added that Wells Fargo still has a large mortgage servicing asset, and it is up to them to choose how much capital it attributes. Hill turned to Dimon on the Fed's dual mandate and referred to the proposal by the majority to add equity to the Fed mandate. He asked if the Fed should focus on the price stability mandate. Dimon replied yes, the Fed should focus on the price stability mandate. Hill asked Cecere if he could write a memo on a living will and resolution plan and if the Fed should leave it as is or impose something different. Cecere said they have a living will and resolution plan and its sufficient.

Rep. Foster (D-IL) touched on regulatory capital levels and believed that the banks benefit from the government and taxpayer being the lender of last resort. He asked if higher capital regulatory levels have prevented the banks from having a very profitable decade. No one responded. Foster turned to the digital ID and KYC requirements and referred to the EU's comprehensive roadmap for a digital ID that would allow someone to open up a bank account with their cell phone via digital ID. He added that Korea is using this technology too and asked the banks' stance on this and what they see in countries they operate in. Demchak replied that the US should move toward a digital ID and that the banks are moving towards this with a product called 'Authenticate' which would allow one digital ID to be used across the banking sector. Foster referred to the *Improving Digital Identity Act* and urged its passage at a federal level.

Rep. Sessions (R-TX) was thankful for big banks and commended the CEOs for their work and their employees' work.

Rep. Axne (D-IA) focused on the 13,000 Wells Fargo employees in her district and asked questions specific to her district.

Rep. Loudermilk (R-GA) discussed cybersecurity and the need to protect consumer data. He believed that if you do not need information, it would be disposed of and had concerns about the amount of data banks have and the amount of this data that is passed onto the federal government. Loudermilk asked Cecere about cyber threats Bancorp is facing and what is being done to address it. Cecere replied that the banks coordinate well with each other on cyber risk and reported investments US Bank has made on cyber. Loudermilk turned to Rogers on cybersecurity and asked him to discuss what Truist is doing. Rogers answered that cybersecurity was one of the reasons for the merger with the goal of cyber and discussed the multiple thresholds looked at for security and third party partnership. He added that Truist has the capability to bring in talent that was not possible before the merger. Loudermilk continued that Republicans are accepting feedback on a national consumer privacy standard bill and asked Rogers to discuss why a national standard would provide clarity to consumers on who has their data. Rogers replied that data must be owned by the client but was not familiar with the legislation.

Rep. Beatty (D-OH) referred to a GAO report in April 2022 that reported on unbanked households in the US due to lack of trust among other reasons. She was pleased to meet with all of the panelists back in June and again yesterday on the banks' continued progress. Beatty gave the banks credit and said that but for this Committee, the banks would be here in front of her subcommittee. She asked how many banks have someone to represent diversity that reports to the CEO and if the banks have done a D&I report. All the CEOs raised their hands to both questions and said that none of this occurred before this Committee and Waters. Beatty hoped the CEOs would come back and continue to move the needle.

Rep. Mooney (R-WV) Mooney said the leftist activist successfully pressured the international organization for standardization and major credit card companies to adopt a new merchant category code for firearm retailers which they say can be used to flag lawful gun purchases and to target law abiding citizens. He said West Virginia is blessed to represent the most pro second amendment state in the country with nearly 60% of West Virginians owning firearms in their homes which is why it's the safest state in the country. He turned to Rogers and said Truist Bank services over 260,000 West Virginians. Mooney said there's also been talk of using this new data to flag what they call "suspicious purchases" which seems like a straightforward way to target gun owners without actually helping to prevent crime, in fact the opposite is true. He then asked

Rogers what constitutes a “suspicious transaction” and what additional information this new code provides so that a bank can make a determination if an activity is suspicious. Rogers said, as we discussed earlier, this is a developing area and we follow the rules that are part of the system but we support a system that protects the rights of our customers so I can’t speak to exactly to what will be required in terms of reporting but that it won’t be something we will do on a voluntary basis. Mooney said that his constituents now may consider purchasing firearms with cash instead of a credit card out of fear of what the federal government might do with their data so who decides which merchants fall all under merchant category code and will there be retroactive coding. Rogers said, we don’t control the merchant codes and it is not a decision that Truist makes. Mooney said this administration has weaponized financial regulators and pressured lenders to push their agenda. Mooney feared that this is a backdoor gun registry and emphasized free market competition and rejected socialism.

Rep. Lawson (D-FL) discussed international reporting standards mentioning that Chinese banks hold the top four spots and asked what challenges US banks face when competing globally. Moynihan replied that the near-term competitiveness of Chinese banks is an issue and added that Chinese banks can compete in the US and acquire big US banks fairly easily. Fraser added that Citi supports US banks and companies abroad and encouraged more of this to protect privacy and data. Lawson turned to a 2021 Freddie Mac report on black neighborhood appraisals being lower than homes in white neighborhoods. He asked if any of these banks use alternative appraising models as a means to reduce appraisal bias. Demchak discussed alternative appraisal models like alternative credit products by looking at rental statements and said that this is easier with mortgages owned by the banks.

Rep. Davidson (R-OH) asked about accepting cash deposits and asked if this is a BSA risk. Dimon believed that it was a regulatory risk, particularly interstate deposits. Scharf agreed. Davidson asked if permissionless payments (P2P) are a risk to the financial system. Dimon and Scharf replied no. Davidson discussed the amount of people still using cash. Davidson asked if any of the banks hold crypto assets. No one raised their hand. Davidson said that roughly 70% of liquidity in the crypto space is offshore and thought that the government needs to address this. He asked Dimon if people with no industry and only academic experience understand the risk involved with the private sector. Dimon would have loved to see more academics, educators, and others involved with retail banking. Davidson turned to Fraser on sanctions and the international aspects of it and when you look at the opportunity to improve that, the way that system is done causes a little bit of collateral damage for domestic companies. He asked if Fraser had any ideas how this could be reformed. Fraser would respond to the record but replied that it would involve international collaboration.

Rep. Adams (D-NC) asked the panel about the banks’ long-term plan to recruit from HBCUs and how the banks are internally keeping track of this. Scharf replied that the HBCUs are a very

important relationship that is multi-faceted and had an outstanding experience with people who have come from the HBCU system. Rogers replied that Truist is investing in HBCUs whether it be direct investment as well as the commitment to hiring HBCU graduates. Dimon replied that he has been going to HBCUs for the past 30 years and told anyone that the talent is unbelievable at these schools. Fraser echoed her other colleagues and was proud to work with HBCUs through a broad set of programs. Moynihan thought that along with hiring HBCU students and fiscal support, Bank of America has created an entrepreneurial center in Atlanta.

Rep. Gonzalez (R-OH) discussed Dimon's outspokenness on the state of the economy and talked about a hard and soft Fed landing. He asked from a policy standpoint what needs to occur to avoid a hard landing. Dimon replied that avoiding stagflation is critical and worried about oil and energy prices. Gonzalez asked where the economy is most vulnerable in the event of a hard landing. Dimon replied that the issue is global stability with Ukraine and China because the US financial ecosystem can handle a hard landing. Gonzalez urged the banks to be thoughtful in their roles in the Chinese economy. He turned to Moynihan on retail customers and asked how healthy they are. Moynihan replied that the consumer has more money in their accounts, has borrowing capacity, and said that wages are rising but inflation is working against them. He added that we need to be watching unemployment levels as well since they have been stagnant. Moynihan added that if the consumer is working, they will be okay. Gonzalez said that the only tool the Fed has is to destroy demand and referred to the dual mandate of the Fed and asked Dimon if the dual mandate is appropriate. Dimon thought that it was appropriate but that it should be monitored.

Rep. San Nicolas (D-Guam) recognized Fraser as Citi pays five times more in interest to its depositors than the rest of the other banks. He asked if that is true. Fraser replied that Citi offers a variety of fair and competitive interest products, including the one he mentioned. San Nicolas asked each bank what its basic standard saving deposit is yielding. Cerece responded 5 basis points at the lower end. Demchak, Dimon, Fraser, Moynihan, Rogers, and Scharf echoed that they are in the same range. San Nicolas continued that as credit card interest rates go up and general consumer interest rates go up, it is an across-the-board devastation for the American public. He then said that there are a lot more deposits being held as interest rates are rising. He said that savers are supposed to see their savings going up but on risk free money going to the Fed, it is making interest. San Nicolas asked the panel to confirm if they are going to increase the interest rate going to consumers. Cerece replied that they will raise rates over time and the panelists echoed the same sentiment.

Rep. Budd (R-NC) referred to Biden's appearance on *60 Minutes* when he discussed inflation and asked Rogers and Moynihan if consumers' savings are decreasing. Rogers replied that consumer savings are quite stable. Moynihan replied that consumer deposits are stable. Budd

asked a series of questions on the health of consumer accounts and spending. He said that the bottom line Americans are buying, spending, and saving less.

Rep. Casten (D-IL) focused on risk and return and asked if Wells Fargo has changed its lending standards for properties that are exposed to climate risk within the last two years. Casten specifically mentioned exposure to wildfires and forest fires as examples of climate risk. Scharf replied that this continues to be something that is talked about. Casten said he has seen data that shows that a disproportionate amount of those mortgages have flowed to Fannie and Freddie and those high-risk areas. He added that he would like to see the data and prevent any risk being shifted to the taxpayers. Casten shifted to return and asked if Dimon would support legislation that would require you to preferentially invest in companies that are struggling to attract Dimon replied no. Casten continued that oil and gas industries are continuing to have high risk returns and asked if Dimon and Scharf are still supporting the State Financial Officers Foundation. Dimon and Scharf were not sure. Casten hoped they would stop supporting this organization.

Rep. Hollingsworth (R-IN) was interested in the state of the economy saying that as of today and worried about a harder landing than the Fed is forecasting. He pointed to the strengthening of bank and housing balance sheets and noticed the amount of savings households have. Hollingsworth asked if the banks have seen consumers dip into their savings. Moynihan replied that consumers' savings are stable. Dimon replied that the consumer right now is in very good shape with savings and the employment rate right now. He said that the bad news is likely coming. Fraser saw that there is stability in deposits and elevated levels of spending. Hollingsworth asked if there is any stress in corporations with higher rates. Moynihan, Dimon, and Fraser all replied no. Hollingsworth emphasized investing in research and development and noticed that VC funding is declining dramatically and asked if there is an uptick in VC loans. Fraser has not seen evidence of this yet. Dimon had not seen a lot of this.

Rep. Pressley (D-MA) asked for Scharf to commit to neutrality when it comes to workers trying to organize and not retaliate against workers who speak out. Scharf thought having a direct relationship with its workers is best. Pressley referred to a CFPB announcement that said that Cerece's bank illegally accessed customer's credit reports and their open checking and savings accounts without permission. She asked how many accounts were open without customers' permission. Scharf apologized to anyone who was impacted by the violation and identified 342 accounts. Pressley urged a response from the panel and asked for them to commit to noninterference if employees were to unionize. Cerece committed. Demchak and Dimon declined to comment. Fraser replied that Citi would not interfere but would want to have a conversation on this with employees. Moynihan, Rogers, and Scharf replied that they would listen and not retaliate.

Rep. Rose (R-TN) was aware of bank denial letters that JPMorgan Chase and other banks have sent to independent ATM operators where the bank says that they do not bank private ATM operators. He asked Dimon why the bank still is categorically denying services to an entire industry. Dimon did not want to generalize an estimated risk on a case-by-case basis and would look into this further. Rose requested the other banks to look into this as well. Rose was concerned about this more broadly and turned to Moynihan citing previous remarks where he envisioned a cashless society. Rose said that not everyone has a bank account and can afford the luxury of being cashless. He wondered why Bank of America thought it was okay to make it more difficult to be poor. Moynihan responded that \$200 million dollars are taken out of ATMs daily and said that anyone can get a bank account at Bank of America for \$5 a month.

Rep. Gottheimer (D-NJ) started with Dimon and asked him about the MTA tax congestion proposal. Dimon had read about it and said that it has worked in other cities and would look into it further. Gottheimer turned to Fraser on tax incentives to open up regional hubs in New Jersey and asked if Citi would consider opening up more offices in Citi or allow more flexibility to work in New Jersey. Fraser was aware of the cost to commute to New York from New Jersey and neighboring states. Gottheimer believed that the US should lead in blockchain technology and discussed legislation for qualified stablecoins and worried about China advancing ahead of the US. Dimon replied saying that you have to separate blockchain and DeFi which are real and clarified that he is a skeptic of crypto tokens. Dimon said that a 1:1 stablecoin is equivalent to a money market fund and should be regulated as such. Gottheimer turned to Scharf on legislation regarding stablecoins and asked if this is a step in the right direction. Scharf replied that 1:1 backed stablecoins are certainly an option. Dimon said that a 1:1 stablecoin is equivalent to a money market fund and should be regulated as such.

Rep. Timmons (R-SC) referred to Luetkemeyer's questioning on Chinese competition and asked the panel to talk about competition and the consequences of free enterprise if China continues to rise. Dimon replied that China in many ways is very disadvantaged compared to the US and thought our relationship with China is the most important thing over the next 50 to 100 years. He emphasized that the US sets foreign policy and that the banks will do what the American government wants. Fraser answered that Citi serves many multinational clients and as we look forward, the US has to take a strategic view to determine where the US needs more independence without causing economic crises along the way. Timmons was afraid that if something happens in Taiwan, the western democracies will not unite and defend Taiwan.

Rep. Torres (D-NY) referred to a NYT article about fraud and Zelle and how banks deny it being their problem. He asked if Bank of America has adopted a policy to reimburse Zelle users in the event of fraud. Moynihan replied that Bank of America does have a policy for reimbursement in the event of P2P fraud and is working hard to get fraud out of the system. Torres asked the owners of Zelle if they had a responsibility to reimburse in the event of fraud

and unauthorized transactions. Cerece, Demchak, Dimon, Moynihan, Rogers, and Scharf replied yes. Torres asked if there has been an increase in cybersecurity threats. None of the panelists have seen a major increase in cyberthreats. Torres asked about the budgets for cybersecurity. Cerece's answer was inaudible. Dimon replied \$750 million directly. Fraser said around \$800 million. Moynihan replied roughly \$1 billion. Rogers and Scharf also said around \$800 million.

Rep. Gooden (R-TX) discussed the Belt and Road initiative and believed that Citi supporting this is a major conflict of interest to the US. Fraser did not believe that Citi has played any role in the Belt and Road initiative at least since she became CEO. Gooden asked Fraser to explain how financing Lukoil accomplishes the goal of divesting from Russia. Fraser replied that Citi has significantly declined services in Russia and most of their current services are being provided to multinationals. Gooden asked if Citi would condemn the human rights abuses of China. Fraser did not want human rights abuses occurring anywhere in the world and said that 'condemn' is a very strong word.

Rep. Lynch (D-MA) thanked Bank of America for committing funding to affordable housing projects in his district. He discussed the lack of funding in minority fintech innovation and was concerned about that and asked about Bank of America's diversity. Moynihan replied that Bank of America committed to a thirty-year diversity effort and the commitment to hire 10,000 people from LMI communities along with job initiatives in Boston in other cities out of high school. He continued on funding and perceived that there is a need to create equity in smaller sizes for women and minority businesses and saw that the private equity funds were not there, so Bank of America had found these funds and committed funding to 1,000 companies. Lynch turned to Zelle and payments and asked if the lack of latency in the system lends itself more to fraud. Demchak replied that the traditional fraud in Zelle is minute. Lynch said that 75% of PPP funding was through digital lending and applications. Demchak replied that Zelle is a closed network system and if it is outside, it is invisible to the bank which is where the fraud occurs.

Rep. Steil (R-WI) discussed inflation and thought inflation was a result of bad policy issues and talked about the \$1.9 trillion reconciliation bill and asked if that played into inflation. Dimon replied that excessive spending contributes to inflation, as does the war in Ukraine, among other things. Steil asked if student loan forgiveness contributed to inflation. Dimon wished that the loan forgiveness was more targeted and thought that forgiveness could have been done better and thought that the cost of college should be fixed generally. Steil turned to housing and the impact of higher interest rates and asked how this impacts Dimon's customers. Dimon replied that inflation will eat away at balance sheets and health and encouraged the Committee to work on how to bring down the cost of mortgages. Steil asked the response to increase capital requirements above international standards. Demchak thought that the real-life stress tests shows that the system is adequately capitalized.

Rep. Dean (D-PA) stated that gun violence is a problem facing the US daily and noted that some of the biggest mass shootings were financed by credit cards. She referred to the mass shooting at the Pulse Night Club and said that the shooter's credit card statement showed more than \$26,000 worth of guns and ammunition in the 12 days ahead of the shooting. Dean said his average spending before this was \$1,500 a month and asked if the witnesses would consider that to be suspicious activity. She also pointed to how the shooter even researched if they would be flagged for this unusual spending. Dean expressed that she felt a global shame when it comes to America and gun violence and asked what responsibilities the banks have in their board rooms to slow the loss of life due to gun violence. Fraser replied that Citi does operate in a number of countries that suffer from gun violence and agreed that it is a problem. She said that Citi does have conversations among the board and with its employees on safety.

Rep. Norman (R-SC) thought that inflation is also a shame and cutting off the gas supply is a shame. He wrote a letter to the banks asking why finance is paying for employee abortions and begged the banks to reclaim their voice. Norman questioned the wokeness of ESG and thought that the silence from the banks had been deafening. He asked how much ESG compliance is costing. Scharf, Moynihan, Fraser, Demchak, and Cerece said right now it is small but that it is growing. Rogers and Dimon said the cost are in the tens of millions. Dimon estimated that it would eventually be in the hundreds of millions of dollars.

Rep. Tlaib (D-MI) discussed banking discrimination against Muslims and referred to a class action lawsuit in May about Bank of America discriminating against Muslims. Moynihan was not aware of this lawsuit. Tlaib asked how the bank complies with AML regulations without freezing out whole groups of consumers. Moynihan replied that Bank of America has a history of banking all Americans. Tlaib thought he should be very concerned about this and said that Muslims should not be targeted or singled out. Tlaib discussed carbon emissions and asked if each bank has a policy against funding new oil and gas products. Dimon replied absolutely not. Fraser replied that Citi would continue to invest in fossil fuel and natural gas companies. Moynihan replied that Bank of America is helping companies make the transition to clean energy and investing in both. Scharf agreed with Moynihan.

Rep. Ocasio-Cortez (D-NY) discussed the PPP and small business loan forgiveness. She stated that Bank of America and PNC have both opted out of a SBA portal that would provide forgiveness. Ocasio-Cortez asked how many PPP loans BoA has facilitated and how many of those in terms of percentage have been forgiven in full. Moynihan replied that the vast majority have been forgiven completely. Ocasio-Cortez was seeing BoA's refusal to forgive these loans in full and that it is hard to appeal this. He asked if the portal makes it easy to appeal the decision so the SBA can take over the case after trying twice. Moynihan replied that the borrowers can appeal and said that a small amount of loans have not been fully forgiven yet. Ocasio-Cortez

asked why BoA opted out of the portal. Moynihan replied that he had no idea why and was processing the loans as fast as possible.

Rep. Garcia (D-TX) wanted to ask specific questions on her legislation, *the Multilingual Financial Literacy Act*, saying that it is important that everyone has the same opportunity for financial health regardless of the language they speak. Garcia turned to Demchak about a PNC program that deploys mobile banking services to bilingual communities and asked if this program is successful so far and if this product will be expanded to other products. Demchak replied yes to all of the questions and that there is a fleet of mobile branches being deployed to minority and LMI communities daily that offers every traditional banking service. Garcia thanked PNC for doing this and turned to Dimon on advancing Latino programs and asked him to expand on this. Dimon replied that there are special training programs in Houston where all banking services are offered in Spanish.

Rep. Williams (D-GA) discussed the racial wealth gap and owning a home as a means to help close this racial wealth gap. She was very interested in Bank of America's new program that allows alternative credit to underwrite mortgage loans and asked Moynihan if he expects this product to help more underserved borrowers, including borrowers of color qualify for a home mortgage and if so, how will they track those results. Moynihan replied that he expects the program to expand mortgage accessibility and would track these results through program applications and the results are tracked separately. Williams asked how borrowers will know that rent and alternative data will know that they qualify for this program. Moynihan replied that this program is available to all Bank of America customers and on all Bank of America's operating channels. He added that it is advertised in the branches. Williams encouraged this program and asked if this product will be expanded in the future to other cities. Moynihan replied that the program will be offered to more cities if it is deemed successful, which he expected. Williams asked if Moynihan thought it was reasonable and feasible for other banks to do this same thing. Moynihan knew that other banks have similar programs as well. Dimon replied that Chase is fundamentally doing the same program and will send her information. Scharf referred to project REACH from the OCC on using alternative credit.

Rep. Auchincloss (D-MA) referred to today's announcement of the Fed raising interest rates 75 basis points and asked the panel to raise their hands if they are confident in the Fed and its mandate. All panelists raised their hands. Auchincloss talked about affordable housing and how at the local level, this is about fighting NIMBY opposition to multi-family housing and asked what can be done at the federal level. Moynihan replied that Bank of America puts about \$5 billion a year into low-income housing tax credits (LIHTC) and said that the perception is that there is a need to develop more developers who can do more work but confessed that it is a universal problem. Auchincloss continued that the property market is way too tight in the US but said that it is collapsing in China. He asked how Wall Street and Capitol Hill can collaborate to

outcompete the CCP. Dimon mentioned the *CHIPS Act*. Moynihan referred to investing in research and said that America has the best research platform in the world and also mentioned *the CHIPS Act*. Auchincloss said that we will need to continue to appropriate money for medical research.

Annual Oversight of the Nation's Largest Banks
Senate Committee on Banking, Housing, and Urban Affairs
September 22, 2022

Opening Statements

Chairman Brown (D-OH) emphasized that main street America is at the center of everything the Committee does and went on that after years of consolidation and rubber stamp mergers, the CEOs' banks dominate the banking sector. He continued that the banks have a federal backstop which is something American citizens do not have. Brown said that the banks have a responsibility to serve the American people and criticized the banks for promoting Zelle without taking responsibility for the fraud that has resulted. He mentioned Wells Fargo and the opening of fake accounts which harmed customers. Brown said that the banks focus on loans to wealthy clients with large portfolios and added that Wall Street hates real consequences. He said that the banks' business model harms consumers and said that people do not trust the banking system for many reasons. Brown added that it is then no wonder why consumers go to payday loans or financial applications when they are in need of money. He said that \$400 is nothing to banks but that is not a luxury most Americans have. Brown discussed the union organization at Wells Fargo and how Wells Fargo and other banks are reluctant to unionize. He expected the banks to build up capital to invest in communities and take steps to make banking work for everyone through getting rid of overdraft fees, paying employees a living wage, offering affordable mortgages, etc., and acknowledged that some of the banks have taken these steps already. Brown said that he will continue to hold these banks to the highest standard.

Ranking Member Toomey (R-PA) remarked that the banks in front of him make vital contributions to the nation's prosperity. He went on that there are colleagues of his and regulators that want to promote their own social agendas unrelated to the banking system. Toomey continued that his colleagues are pressuring banks to promote policies like ESG, gun violence, voting rights, and even abortion. He mentioned that some of the banks in front of him have committed to being a net zero energy producer by 2050. Toomey said that if banks follow through with their net zero pledges combined with the SEC climate rulemaking, this will only lead to lawsuits. He thought that banks distancing themselves from this pledge would be a welcomed step. Toomey continued that many banks have also pledged to fund customers travel to have an abortion and questioned if banks would also pay for the adoption process for a mother who experienced an unplanned pregnancy. He also mentioned having the right to bear arms.

Toomey warned against the politicization of financial regulators and raised similar concerns about the politicization of the banks and added that CEOs are not elected officials.

Witness Testimony

Andy Cecere, *Chairman, President, and CEO, U.S. Bancorp*, discussed digital enhancements to banking including the application accessible by phone, offering a ‘Simple Loan’ product which allows a loan of up to \$1,000 and can approve this loan within 15 minutes, and launching ‘access home’ which is a program to increase black homeownership and how they have partnered with community organizations on this effort. He shared the efforts US Bancorp has taken on diversity and believed that relationships are at the core of the bank. Cerere emphasized that the commitment to serve customers will never change.

William Demchak, *Chairman, President, and CEO, The PNC Financial Services Group*, mentioned that PNC is not a global, systemically important bank but is a bank committed to serving consumers in a transparent way. He noted that PNC was the first mover among large banks in modifying overdraft practices and providing relief to consumers. He discussed scams and fraud and said that this bad activity needs to stop before they occur. Demchak explained that PNC does not charge a fee to use Zelle, giving customers a convenient, accessible and low-cost way to send and receive payments. He also acknowledged how bad actors have sought to use the near real-time feature of P2P payment services, such as Zelle, Cash App and PayPal, as schemes to defraud consumers. At PNC, Demchak said that they take seriously their obligation to protect consumers from fraud. He reaffirmed PNC’s commitment to communities which is reflected in their outstanding rating under the Community Reinvestment Act (CRA); in fact, they are proud that PNC has received an outstanding CRA rating in every CRA evaluation since the CRA was enacted in 1977. Demchak also noted the diversity at PNC saying that nearly 50 percent of the independent directors on our Board of Directors are women or people of color, and 50 percent of the executives that report directly to him and who are members of the management Executive Committee are women or people of color.

Jamie Dimon, *Chairman and CEO, JPMorgan Chase & Co.*, remarked that the free flow of credit and investments is key to our nation’s global competitiveness. Free enterprise is the flywheel of the economy as capital seeks out the investments, individuals and ideas that drive growth and innovation. And free enterprise celebrates, and is inseparable from, human freedom and creativity, which ultimately are the stimuli for all human progress. He stated that what this country needs most is free enterprise, extraordinarily competent government and policies, and more civic-minded companies and citizens. Dimon stated that JPMorgan Chase finances federal, state and local governments for infrastructure projects for schools, bridges, hospitals, universities and transit. He added that JPMorgan Chase finances Americans’ ambitions with loans for homes, automobiles, and growing a small business, and provides valuable products and services to more than half of American households. Dimon reaffirmed JPMorgan Chase’s commitment to spending more with Black, Hispanic and Latino suppliers, improving financial health and access to banking for the underbanked, investing in minority depository institutions (MDI) and

community development financial institutions (CDFI), and investing in communities through philanthropic capital. He wanted the public to know how proud he was of the hardworking employees at JPMorgan Chase and noted that the bank has employees in every state of the US.

Jane Fraser, CEO, Citigroup, remarked that while the world has changed a lot in the last few years, Citi's commitment to serving the millions of Americans and thousands of businesses they call customers has not. She stated that the reforms Congress has put in place – and the work they have done since the financial crisis to strengthen their bank's financial foundation and risk management have enabled them to continue serving as a source of stability. Fraser said that banks are essential to American competitiveness abroad and a reason why the U.S. is a top destination for foreign investment. She reported that Citi partners with the most iconic American institutions, including the federal government, to navigate markets. She discussed how last year, Citi worked with state and local governments to catalyze more than \$27 billion in infrastructure, such as schools, hospitals and roads. Fraser added that many of these large projects wouldn't have been possible without a bank of Citi's scale to back them. She reported that earlier this year Citi was named the largest financier of affordable multifamily housing in the country for the 12th consecutive year. She stated they are proud of their leadership in this space. Over those 12 years, she said that Citi has helped create or preserve nearly 400,000 affordable housing units across the U.S. In 2021 alone, the \$5.6 billion Citi financed went to support 32,000 new affordable housing units in 32 states from California to Ohio to New York. Fraser turned to diversity, explaining that earlier this year, Citi launched a first-of-its kind diverse financial institutions group to lead their engagement with minority depository institutions (MDIs) and helped them to scale and expand into new markets. She added that this work includes a groundbreaking rotational program that embeds Citi executives within MDIs for up to a year. She hoped her pride in Citi's story had come through, but clarified recognizing the need to continue improving.

Brian Moynihan, Chairman and CEO, Bank of America, reported that Bank of America currently pays its hourly employees \$22 an hour and is on track to paying \$25 an hour by 2025. On diversity, he reported that the management team is 55% diverse, including 32% women. And, he stated their Board is 53% diverse, including 33% women, and our Lead Independent Director Lionel Nowell, who is Black, was named "Independent Director of the Year" by Corporate Board Member magazine. He added that the workforce is 50% women and 49% people of color, reflecting the clients and communities they serve and have also worked to narrow the gaps at their leadership levels across the company. Moynihan discussed the steps Bank of America has taken to help ensure all clients were able to access their funds immediately. Additionally, he said that Bank of America provided overdraft credits to help those with a negative balance on their account access the full payment amount. If a client had a negative balance on their account when they received a stimulus payment, they provided a temporary credit to their account—for at least 30 days—equal to the amount of the negative balance. Through this expanded support, Bank of America has helped more than 1 million clients access the full amount of their stimulus payment. Moynihan discussed how Bank of America remains the nation's largest private investor in

CDFIs, which provide affordable, responsible lending and support to low-income and other disadvantaged clients and communities. By funding CDFIs, he stated that Bank of America helps make it possible for credit to flow to needs they might otherwise be unable to serve through direct lending. Moynihan reported that the balance sheet is the strongest it's ever been.

William Rogers Jr., *Chairman and CEO, Truist Financial Corporation*, remarked that Truist's purpose statement intentionally begins with the words "to inspire." He reported that Truist pays its hourly employees \$22 an hour and stated that Truist exceeded the goal to increase ethnically diverse representation in senior leadership roles to at least 15% — a year ahead of their original commitment. On January 18, 2022, he noted the announcement of Truist One Banking, a new, differentiated set of products to redefine everyday banking and accelerate clients' journey toward purposeful growth and financial well-being — all with no overdraft fees. He welcomed opportunities to work more with law enforcement and the government at all levels to protect against fraud and other bad activities. Additionally, Roger reported that Truist was the fourth-largest lender by dollars in the Paycheck Protection Program (PPP), funding approximately \$17 billion across nearly 120,000 loans to assist approximately 80,000 small business clients and supporting over 2 million jobs. He stated that Truist is pleased to advise the Committee that, through August 2022, we estimate that our combined lending, investing and philanthropic financing activities already exceed \$60 billion. Further, he said that based on where they are today, they are confident that Truist will deliver on each and every one of their Community Benefit Plan commitments by the end of 2022. Rogers emphasized that Truist is a purpose driven company and looked forward to any questions.

Charles Scharf, *President and CEO, Wells Fargo & Company*, reported that Wells Fargo supported the PPP by funding roughly 280,000 loans totaling approximately \$14 billion, working with clients of all sizes to provide flexibility and assistance where needed; in particular, they were an industry leader in working with smaller businesses to get them the support they required. He continued that last year alone, they helped more than half a million homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage and closed billions of dollars in new commitments for affordable housing. Scharf said that Wells Fargo has also increased average wages for U.S. hourly employees by nearly 25 percent over a five-year time period and, over the same time period, increased their investment in U.S. employee benefits by more than 20 percent. He discussed the issuance of Wells Fargo's first sustainability bond in 2021, named the Inclusive Communities and Climate Bond, which raised \$1 billion in capital aimed toward projects that support housing affordability, socioeconomic advancement and empowerment, and renewable energy. In April, Scharf mentioned the announcement of a new initiative to help advance racial equity in homeownership across the country, including the development of a unique refinance mortgage Special Purpose Credit Program ("SPCP") to help eligible minority homeowners whose mortgages are serviced by Wells Fargo (starting with Black homeowners) lower their interest rates and subsidize closing costs. Additionally, Scharf reported that last week Wells Fargo announced that it will commission an external, third-party racial

equity audit. He explained that the assessment will include input from both internal and external stakeholders and focus on elements of Wells Fargo's efforts to serve diverse communities and promote a diverse workforce. Scharf believed that commissioning this work is a critical next step in reinforcing their commitment to racial equity and closing the wealth gap in this country. He thanked all of the employees at Wells Fargo for their continued work in striving to make the company better.

Member Questions

Chairman Brown (D-OH) asked Scharf if Wells Fargo is too broken to fix. Scharf was very confident that the bank has made changes that will put the historical problems behind them and discussed that the current plans in place are being executed and mentioned that there is new leadership at the bank. Brown remarked that nothing at Wells Fargo seems to improve despite who is in charge. He addressed the entire panel and asked if the banks will eliminate all forced arbitration clauses. Scharf, Dimon, Fraser, and Cecere said no. Moynihan, Rogers, and Demchak discussed that there is an option to opt out. Brown referred to the *Fair Access to Financial Services Act* (S. 4619) and asked if the banks will follow this law. All the panelists endorsed the principles of the legislation but did not know the specifics. Brown was surprised that none of the panelists knew the specifics of the legislation. Brown continued asking if any of the banks currently open unauthorized accounts. Demchak, Rogers, Fraser, Dimon, and Moynihan said no. Cecere discussed the 342 accounts that were opened without authorization and apologized for it and discussed how Bancorp fixed it. Scharf discussed the changes Wells Fargo has made to ensure the opening of unauthorized accounts does not happen again. Brown asked about the Zelle platform and if the banks reimburse for unauthorized transactions. Demchak, Cecere, Rogers, Fraser, Dimon, Moynihan, and Scharf said that they all reimburse for fraudulent transactions and provide clients with education and other measures addressing scams and how to prevent it. Brown lastly asked if the CEOs will remain neutral if the employees try to unionize. Scharf replied that he would want to discuss with their employees. Dimon, Fraser, Rogers, Cecere, replied that they are not neutral but would not obstruct. Demchak said that PNC would not obstruct but would want to have conversations about it. Brown urged support for the extension of the Child Tax Credit.

Ranking Member Toomey (R-PA) asked Dimon if the US banking regulators have the authority to determine the timeline for transitioning to clean energy. Dimon replied no. Toomey was concerned about the enormous power the regulators and the Fed have and asked if they have the power to effectively pressure financial institutions to direct capital to certain industries. Dimon replied that the regulators can basically do whatever they want unless told otherwise by Congress. Toomey expressed worry that the Fed joining the network to green the financial system is a precursor to regulatory pressure to debank energy companies, which is outside its jurisdiction. He turned to the biggest money managers and asked Rogers if the largest asset managers are capable of exercising significant influence over public companies. Rogers replied that Truist wants to interact with all of its shareholders and the ones that hold more stake have

more influence. Toomey then expressed concern over how the largest asset managers have joined the Net Zero Asset Managers Initiative, which states that they will get to a place where all assets under management achieve net zero emissions by 2050. Toomey added that these large asset managers have sway by virtue of the volume of votes they can cast and if the sway turns into control, then there are significant ramifications. Toomey turned to Demchak on the belief that large regional banks are already too big to be resolved and should just be sold to one of the banks represented at the table and asked if his bank is required to submit a resolution plan to the Fed and FDIC every three years. Demchak said yes and that they have done so for 10 years. Toomey then asked if any of the plans submitted contemplated as the sole resolution a government bailout or the sale to one of the other banks. Demchak replied no and that it is pretty easy to draw circles around their regions and sell them. Toomey said that the regulators are fully authorized to reject a plan if they believe it is insufficient and asked if this has ever happened. Demchak replied no. Toomey said that additional regulation has no cost, but it seems to him that there is a cost of adding unnecessary capital requirements on already well-capitalized institutions. He then asked about the downside of unnecessarily high capital requirements. Demchak replied that in this instance it would crowd out other financings that are needed in the market. He added that requirements are also making it more expensive and difficult for banks to lend at a time when the country needs it.

Sen. Reed (D-RI) referred to the Fed's decision to raise interest rates but noted that deposit rates are fairly low and that the banks are making money on these increased interest rates. He asked why the banks are not raising interest rates on deposits. Scharf answered that Wells Fargo is beginning to raise rates and as rates continue to rise, he expects to continue to raise the rates that they pay their customers. Moynihan said that rates are already increasing on deposit accounts and pointed to zero interest checking accounts and how these are factored into the rate calculation that many people cite. Dimon echoed Scharf and Moynihan. Fraser replied that Citi expects a continued rise in the deposit rate. Rogers expected a rise in its deposit products. Cecere echoed Rogers and expected a rise in the future. Demchak echoed the panel. Reed then turned to his and Chairman Brown's legislation that would establish a nationwide 36% interest rate cap aimed at eliminating predatory lending. He said he thought that even in this rising interest rate environment, banks have been able to make significant profits without even approaching 36% interest rates. He said the number in the bill is a valid one and said they already have the protection for military members through the Defense Department and the MLA. Reed said that last year when he brought up the issue, the banks considered the principles of the bill but that they would have to look at it. He continued that they have had a year to look at it and asked if the banks could function properly under a 36% interest rate cap and if they would support the legislation. Scharf replied that they still believe what they are trying to accomplish is something they should be supportive of. Scharf said that for whatever legislation is prepared, they hope there is contemplation of all rate scenarios to ensure there is no reduction of credit for the populations they are trying to help. Moynihan said at the end of the day it is not relevant to the

company rate structure and warned Reed about the possibility of a proposal like this constraining credit. Moynihan added that in terms of a simple number, it is not relevant to them, and they do not have anything like it. Dimon applauded the effort to stop payday lenders and thought that in certain products and services, 36% does work. He then discussed a situation having to do with a \$400 loan for 4 months. He said it would cost \$40 just to process the loan, so there would be no interest rate and because the \$40 cost goes into the APR, then that would come out as 40%. He added that if they could change it to the marginal cost to process the loan, plus something like 12%, then they would definitely be willing to do something like that for customers. Fraser replied that Citi does not charge 36% for interest rates and agreed with the principle of the legislation but warned against constraining credit to particularly more LMI borrowers. Rogers said he would look at the legislation and added that he had concerns with small dollar lending and wanted it to stay within the banking system. Cecere replied that short term cash needs are important as well.

Sen. Scott (R-SC) discussed inflation going up faster than wage growth and asked about the state of the economy. Dimon replied that the US consumer is strong and yes, their balance sheet is being eroded by inflation, along with the war in Ukraine contributing to inflation too and said that the worst outcome is stagflation. Scott saw credit card balances going up and said that in many ways the economy is looking at some strong headwinds. He pointed to the stress test and said that as we talk about capital requirements going up, loans will go down, and he worried about a minority small business owner not getting the capital they need. Dimon replied that there are capital requirements right now reducing their ability to lend and he thought the requirements in the recent stress test were unnecessary. Scott said that the stress tests prove that the banks are in a healthier position than they have ever been in, so the capital requirements are reducing the opportunities for small business owners to bring opportunities to their communities. He asked if that was accurate. Fraser, Dimon, and others agreed. Scott thought that the current stress tests that banks are going through suggest we are headed in the wrong direction. Demchak replied that two things have changed in recent years, one being the CECL accounting standard, which causes banks to have to reserve the life of the loan for potential losses and as we go into a slower economic period, banks will have to pull money off the table. He added that the second issue is the increase in capital requirements, which will also pull money off the table. Scott thought that this is a frustrating time for Americans trying to achieve the American dream.

Sen. Menendez (D-NJ) referred to a 2021 report finding that over 60% of overdraft fees were paid by LMI households and 25% were paid by Latino families. He focused on Dimon and Moynihan whose banks both profited over \$1 billion in overdraft fees and asked if they would be willing to commit to fully eliminating overdraft fees by the time the CEOs come before the Committee next year. Scharf said that they have an account with no overdraft fees and customers should choose the services and the way they want to pay for them. Moynihan said that revenue from overdraft dropped 66% this year and it is expected to drop 90%, adding that they do not

think the full elimination of overdraft would be a good result. He added that they also have no overdraft accounts and they have reduced the cost of overdraft to \$10. Dimon said that 23% of customers opt-in to overdraft accounts and he had faith in the American public to make their own choices. He said overdraft can also stop people from going to payday lenders but agreed that overdraft is used too much. Menendez continued that their banks made \$64 billion off overdraft fees last quarter and said that there is no reasonable explanation for continuing to charge overdraft fees. He hoped the banks would deepen their consideration on eliminating this. Menendez turned to his constituents facing fraud on Zelle and referred to a letter he sent the banks on Zelle's fraud and scams. He found their response letters to be inadequate, especially JPMorgan and PNC, and asked Dimon and Demchak to fully respond to the letter that they neglected the first time. Dimon and Demchak apologized for not meeting expectations the first time. Menendez said consumers are slipping through the cracks of Reg E and details will help them figure out what they do with it. He then turned to Scharf on a Bloomberg report citing that Wells Fargo disproportionately rejected refinancing requests from African American and Hispanic homeowners. Menendez said that he spoke with Scharf and Scharf said that this is partly due to the fact that Wells Fargo encourages more minority borrowers to go through the full application process while other borrowers turn them away at an early stage. Scharf clarified that they encourage all borrowers to go through the full process. Menendez asked why other banks did not encourage these people to go through the full application process. Demchak did not know if they do or do not, but he would respond for the record.

Sen. Kennedy (R-LA) said that if you count social programs, poverty is at 3% and said that the banks will never win against the 'uber woke'. He believed that you are not free if you cannot express yourself and encouraged the banks to be candid. Kennedy said that inflation is 'gutting Americans like a fish' and asked what should be done on the fiscal side to help inflation. Fraser replied that there is a considerable amount of savings into the system and did not think that further stimulus needed to be put into the system and said that any support should go to those struggling the most. Dimon agreed that further stimulus is not needed and mentioned that the permitting bill may help on the supply side. He added that we should calibrate taxes to boost growth.

Sen. Tester (D-MT) commented that there is no competition in the meat industry and discussed the closing of bank branches in rural places and asked about the CEOs commitment to brick and mortar branches in rural communities. Scharf replied that Wells Fargo has the biggest presence in rural America and said that the bank has always been conscious when leaving a community and still ensured that banking services were present if a branch did close. Moynihan replied that Bank of America sold many branches to community banks to ensure banking in rural places. Dimon replied that JPMorgan is in 48 states. Fraser replied that Citi has a larger focus on corporate and retail clients but would do their best to support Montana enterprises. Rogers answered that Truist is committed to focusing on digital and rural desserts. Cecere mentioned

that Bancorp is a major player in rural markets. Demchak mentioned a fleet of mobile branches PNC provides. Tester turned to cyberthreats and said that the banks need to continue to adapt and asked how Dimon and Rogers are making sure they are investing in cyber enough. Rogers answered that Truist has third-party help to ensure that their defenses are strong and comply with all regulatory efforts. Dimon replied that their systems go through multiple cyber exercises, work with the federal government, invest millions of dollars, and ensure that cyber safety is a top priority.

Sen. Lummis (R-WY) focused on China and referred to a comment Dimon made last month regarding how China looks at America and Lummis was concerned that America has been blind to the pace at which other countries are innovating. She mentioned payments technology saying that the technology is far too slow and costly and mentioned JPMorgan testing the JPM Coin which is a type of stablecoin for faster stablecoin. Lummis asked Dimon to talk about America's duty to responsibly innovate given his comments on how China looks at the U.S. Dimon responded that America is already the world leader and innovator, and that China is a serious competitor. He confirmed that the US is the lead competitor and that there is plenty of free enterprise and we have all the food and energy we need, putting America well ahead of China. However, Dimon said there are policy areas where America has become lazy and could improve. On crypto, he said that China may be ahead in some areas but was not very concerned about it. Cecere agreed that we need to fix our payments system and that banks are working together with each other and regulators on activities like real time payments, Zelle, and even FedNow, and that doing this would position us well for future payments activity. Moynihan added that the real time payments system and having a 24-hour system at the Fed would be critical. He said one of the disadvantages of payment system technology is the ability to pay on the weekends and the ability to move a substantial amount of money that actually clears. He said having a more frequent money moving system would be beneficial. He said they're aware that they have connected the real time payment system to other parts of the world that they have put together through TCH, which has enabled money to move in real time. Speaking hypothetically, he said you could connect this with something like Zelle and move money with no cost to another banking client, as long as someone doesn't step in and say it's not sufficient to have Santander in Spain and if they could do the KYC so we can rely on it. He said that we need some enabling things and that if we can do that right, then we will see innovation take off even more. Lummis said they were aware money had been transferred in crypto as donations to Ukraine and that they were spending it the next day. She noted that if it were transferred in US dollars, then it would have taken about 10 days to reach them.

Sen. Warner (D-VA) referred to the Economic Community Council and increasing capital for CDFI communities. He asked how to shore up CDFIs and MDIs. Rogers said he spent a lot of time with CDFIs and said that where the banks can help is through supplier diversity and ensuring that there is revenue to go along with capital. Moynihan replied that the group of banks

here has done a lot with CDFIs and MDIs through different products and programs. Warner thought that some of the old ideas of OCC or CFPB charters may need a new look and asked Dimon about the nonbank sector competing with traditional banks without any regulation. Dimon acknowledged that some regulation is good and needed but said that there are a lot of nonbanks with no requirements at all which is up to Congress, but regulation has driven a lot of services out of the traditional banking sector. Fraser replied that the balance of regulation is very important and having fair and rigorous regulation is necessary. Warner said that there may need additional consumer protections.

Sen. Cramer (R-ND) encouraged the banks to tune out the voices coming from the left and referred to a letter he sent to BPI last week about the new MCC for guns and he wanted to clarify who did this. He said that a lot of credit card companies are taking the heat and clarified that the ISO did this against the wishes of the credit card companies who had opposed this in the beginning and voted against it on the advisory committee, but the ISO did it anyway. Cramer said that Amalgamated Bank, a liberal bank, pushed ISO to do this and asked each of the CEOs to commit that their banks will process all transactions for the purchases of constitutionally protected goods and services. Scharf replied that they will implement the rule that has to be implemented as they are members of the network, and they will continue to process transactions as they do today. Moynihan agreed, saying that the new MCC will not change anything they do. Dimon agreed and said that they cannot be telling Americans how to spend their money. Fraser, Rogers, and Demchak replied that they will not limit or restrict the purchase of firearms by their customer base. Cramer said that Citi has given him some pause because their bank has voluntarily committed to restrict lending to firearm retail clients unless they meet Citi's specific criteria which in many cases exceeds the law. He wanted Fraser to assure him that law-abiding gun purchasers will not be discriminated against with this MCC. Fraser said that they respect the 2nd Amendment and did not intend to use the code to restrict or limit any firearm purchases by their credit card customers. She said that they believe in best practices for the sale of firearms, they have had this policy for a while, and most retailers follow these best practices. Cramer then closed by inviting all of the CEOs to North Dakota to see the innovation happening there.

Sen. Warren (D-MA) discussed the banks' marketing of Zelle and said that while Zelle increases bank margins, it is not safe for consumers. She added that the banks made this system and promised consumers that it is safe, yet do not want to deal with scams and fraudulent transactions. Warren said that only Rogers has been transparent about fraudulent transactions referring to her request in July. She turned to Dimon saying that he did not provide any requested information and asked if Chase keeps track of reported fraudulent Zelle transactions or if he wants to keep that information secret. Dimon apologized for not getting back to her and said that Chase reimburses consumers for any fraudulent transactions. Warren wanted the numbers and Dimon said that he would get her the numbers immediately but did not have an estimate. Scharf would provide numbers to her later. Cecere said that they transact \$1.1 billion a month, that there

are about 3 million transactions, and that .07% of those transactions involve fraud. Warren countered that this is not the number she wanted and said she wanted the amount of customer fraud claims that they have received. Cecere said he would get her the numbers by the end of today. Demchak replied that total disputes are six basis points. Warren believed that the overall numbers are larger and alarming. She said that this would not be an issue if the banks stood behind their product. Demchak commented that Zelle is only one P2P product that Warren is focusing on. Warren said that the banks created the perfect weapon for criminals to use.

Sen. Rounds (R-SD) followed up on Warren's questions and said that we are discussing Reg E, which has to do with fraudulent activity which the banks have a liability exposure for. He said that the CFPB has suggested promoting the need for the CFPB or other regulator to get actively involved and make the banks pick up additional liability exposures, even though these are P2P transactions where people voluntarily send money. Rounds asked the panel if it is the bank's responsibility to make the decision or to reimburse an individual who voluntarily made a fraudulent transaction and make someone whole again. Scharf replied that the banks can do a lot as the owners of the network to drive out thieves in the network. He also discussed education efforts from the banks to ensure that consumers do not suffer from scams or fraud. Moynihan replied that all the banks reimburse for fraud and discussed working on remedying authorized transactions that were fraudulent. Dimon agreed with Moynihan. Fraser emphasized taking fraud very seriously and repaying when there is an unauthorized transaction. Rogers replied that Truist reimburses customers according to Reg E, they even reimburse beyond that, and believed there needs to be collaboration between banks and law enforcement to address bad actors. Cerece echoed the comments the other CEOs have made. Demchak replied that PNC is focused on Zelle and will fix Zelle-specific problems.

Sen. Van Hollen (D-MD) discussed CDFIs and MDIs and asked for the banks' commitment to continue to work with CDFIs and MDIs in Maryland. All the panelists committed. Van Hollen asked what PNC is doing in Maryland with CDFIs. Demchak replied that PNC is supplying capital to CDFIs and MDIs and sending dedicated mortgage officers into the branches. Van Hollen moved to overdraft fees and mentioned Citi's elimination of overdraft and asked if he was correct about that. Fraser said that he is correct and that they have eliminated overdraft fees and NSF's. Van Hollen asked if they still provide flexibility with respect to their payments. Fraser said they do allow overdrafts and provide plenty of warning if they are going to do so, adding that they provide the tools to manage one's financial health. Van Hollen noticed that Wells Fargo generated over a billion in 2021, as did JPMorgan Chase, and asked if the banks plan to phase out the use of overdraft as revenue. Dimon replied that overdraft fees are declining significantly and believed that it is a service that many people want and opt into. Van Hollen said that overdraft fees are an example of why it is expensive to be poor in the US. Scharf commented that Wells Fargo has made changes to ensure the decline of overdraft fees and that there is an opt-in program, and they are offering alternatives to overdrafting. Van Hollen highlighted FedNow's

real time payment system and urged implementation of it. He also mentioned his legislation, the Payment Modernization Act, which would require institutions to make deposits available as soon as they are deposited.

Sen. Tillis (R-NC) discussed the needed stimulus at the start of the pandemic and criticized the partisan stimulus spending that has occurred since. He believed that Fed Chair Powell has said that we are heading into a rough period next year and assumed this to be a recession in the second half of next year. Tillis believed that people need to start planning for a possible recession now and believed that stakeholder engagement is foundational to banks and community investment. He asked if shareholder primacy ultimately drives banks' decisions at the end of the day. All of the panel raised their hands. Tillis asked about unbanking the fossil fuel industry and asked if anyone is planning to get out of that business. No one responded. Tillis advocated for less regulation and said that the CFPB, SEC, and FDIC are all out of control. He said that if we want to avoid a recession, we need to get our act together and stop spending and provide right-size regulation.

Sen. Smith (D-MN) referred to the Minnesota Fed paper on how race plays a role in homeownership and mortgages denials. She said that minority buyers continue to be denied at high rates. She asked how the banks are taking steps to remedy this issue. Scharf reaffirmed Wells Fargo's commitment to loan to minority communities and said that underwriting practices are the same regardless of race. He added that Wells Fargo has been working with agencies on Special Purpose Credit Programs and mentioned credit scores that do not incorporate payments like rent and utility bills and encouraged the use of alternative credit. Dimon replied Chase is also using special credit facilities like looking at rent, utilities, and more. He said they also have community branches, and they are putting more loan offices in there. He said he agrees there are problems with appraisals and how they look at income. Dimon added that the government could help to reduce the cost of origination, servicing, and securitization and this would make small mortgages more affordable. Smith turned to Cecere and mentioned how US Bank is headquartered in Minnesota and asked him to discuss how US Bank is addressing racial disparity. Cecere replied that US Bank is focused on putting loan officers in banks located in minority communities to help them through that complex process. He added that including rent payments and utilities in the underwriting process would help the origination process be easier and more successful for these individuals. Smith asked if they are tracking their progress on this. Cecere replied yes. Smith associated herself with Warner and Van Hollen on the power of CDFIs.

Sen. Hagerty (R-TN) discussed 'disturbing' ESG trends. He then asked Rogers if people get to vote on company directors and management in proportion to their ownership of shares and class of stock. Rogers said yes. Hagerty then turned to Moynihan and said that when hard working Americans invest in retirement funds, a BlackRock or a Vanguard fund, that tracks the S&P 500,

they are effectively buying a small share of each company in the index, including your company. Moynihan agreed. Hagerty turned to Cecere and said that when retirement investors buy shares in your company through a fund managed by one of the major index fund providers, most of these votes are not cast by the shareholders, but instead companies like BlackRock or a so-called 'proxy advisor' effectively make the voting determination for them. Cecere agreed that this was correct. Hagerty rhetorically asked how BlackRock or Vanguard decides how to vote on the average American's shares; they have an investment stewardship team that makes those decisions for them. He said that this is at the heart of a troubling trend in the financial markets of weaponizing unsuspecting Americans' voting rights in the name of the radical ESG agenda. Hagerty went on that these activists have figured out that any radical policy that they cannot enact via government, can be advanced in corporate America by hijacking the trillions of dollars in voting rights from everyday Americans retirement accounts. He said that retired schoolteachers like his mom, without their knowledge, are having the control that they paid for in their retirement accounts being wielded to push woke policies on corporations, policies which many Americans find quite distributing. Hagerty noted that he talked to a CEO of a public company who was given marching orders from the shareholder stewardship department of a large index provider. He said that the staff from this department was only about 24 years old and he told the CEO to divest his core business in the name of ESG. Hagerty said that he was emboldened to do this because, as an asset manager, he controls a significant portion of this company's shares. He said that this year's proxy season was particularly egregious and pointed to how the banks had to fight off radical proposals. Hagerty asked Dimon if he believes that these activist shareholder stewards are accurately representing the views of the individual investors who own these shares. Dimon said that all those investors have a responsibility to do their fiduciary duty and vote. He thought it was a disgrace that they rely on proxy advisors and said that proxy advisors are terrible. Dimon went on that companies are partially being driven private because of this. He added that they are starting to do pass through proxy voting so people like Hagerty's mom can vote her shares, which he is kind of in favor of, and said that the way that shares get voted today, if someone does not vote, the vote is deemed a yes on all those proposals he referred to. Hagerty said that Sen. Sullivan is working on legislation (i.e. the INDEX Act) to fix this and supported that legislation. Hagerty pointed to the pressure from the left and right and asked Dimon if this trend in shareholder activism complicates his ability to serve the clients or yield value for them more broadly. Dimon said he would do the right thing regardless, but it is causing a lot of consternation in corporate America. Hagerty turned to bank capital requirements, which are designed to be countercyclical, and pointed to Barr's speech, which indicated that he plans to raise capital requirements despite the current economy. He asked, since our economy is in serious weakening, if anyone believed that increases in capital requirements now won't have a negative impact on economic growth or your ability to lend to growing businesses. Nobody responded that he was wrong on this.

Sen. Cortez Masto (D-NV) talked about affordable housing and thanked Scharf and Fraser for having conversations with her on this. She noted how Wells Fargo and Citi helped finance a development in Nevada. She said that Wells Fargo provided \$120 million to finance six affordable housing projects in Nevada in the past two years. Cortez Masto continued that Wells Fargo cannot solely finance the cost of an entire development and asked if they look to other complex financing that may come from LIHTC, the Housing Trust Funds, vouchers and others to make the deal pencil out. Scharf replied yes. Cortez Masto asked Fraser how government funds work with the housing developments that Citi finances. Fraser said that the low tax credits are a critical component and encouraged the expansion of credits to bring more capital into this area. Cortez Masto said that Congress has to lower the costs of affordable housing and turned to the other panelists asking about their work in affordable housing. Moynihan explained that the banks compete for those housing projects and thought that things like permitting, ensuring that these tax credits are not lost with the OECD 15% tax rate, and enhancing the equity part, similar to what CDFIs and MDIs do, would be helpful too. Rogers replied that Truist has about \$4 billion invested in affordable housing. Cecere said that the US Bank has similar numbers and noted that the banks play a role in LIHTC and collecting capital from all sources for housing projects. Demchak pointed out that building affordable housing is one of the most successful examples of public private partnerships and encouraged expanding it.

Sen. Daines (R-MT) discussed inflation and referred to Biden's appearance on *60 Minutes* and asked if Dimon agreed with Biden's assessment that we are overreacting to the current inflation rates. Dimon deferred commenting on the President but said that we need to avoid stagflation as it is the most damaging to everyone. Scharf agreed with Dimon. Daines shifted to board composition and diversity and asked about ideological diversity saying that looking at Bank of America board it has twice as many Democratic contributors than Republican and asked how Moynihan balances this. Moynihan explained that he is not involved in political contributions but valued experience on the board over who a board member votes for. Daines turned to energy saying that it is going to be a rough winter in Europe and stated that Citi was the last company to pull out of Russia. He asked why market share is being used to harm American energy, referring to Citi pulling out of arctic drilling in Alaska. Fraser replied that there is a very important balance to be attained with energy security and supply along with transitioning to cleaner energy and said that Citi will play an important role in both.

Sen. Warnock (D-GA) discussed overdraft fees and the impacts of these fees on Americans, saying that 80% of these fees fall on 9% of account holders, who are typically lower income. He recognized that some of the banks present, like Citi and Bank of America, have eliminated or taken strides to reduce their overdraft fees. He mentioned that Truist announced a new account type with no overdraft fees. Warnock asked how these accounts affect customers' overall financial health and asked what they are seeing for those who frequently overdraft. Rogers explained that 'Truist One' accounts have no overdraft and he thought the other important fee

structure is having a \$100 negative buffer which continues to allow a customer to pay their bills. He then mentioned the 'Truist Confidence Account' which is aimed at bringing the unbanked into the financial system. Warnock asked if each of the panelists are committed to eliminating onerous fees. Scharf replied that Wells Fargo has an account without any fees, and they are continuing to look at their fee structure. Dimon echoed Scharf and encouraged the ability for customers to opt into overdraft. Cecere added that US Bank also has an account with no overdraft and encouraged customer education as well. Demchak replied that PNC led the charge to eliminate overdraft. Warnock said he has seen the impact of these fees on ordinary people and was concerned that as banks deal with the larger economic reality, they will look to other areas for revenue or cost cutting. He asked if Bank of America has looked at opening up other revenue streams or reintroducing financial products to offset these losses. Moynihan replied no. Warnock asked if he considered looking back at the changes the bank has made to reduce fees over the past year. Moynihan replied no. Fraser replied that Citi is always looking at ways to make fees more customer friendly and provide access to those who do not have access to banking services.

Sen. Ossoff (D-GA) discussed housing supply and affordable housing. He referred to a letter he sent to Scharf and other mortgage lenders about accessory dwelling units so basement or backyard apartments, in-law suites, and said that there are some regulatory changes at the FHFA related agencies that may allow more lending to capitalize the construction of ADUs. Ossoff asked for Scharf's commitment to consider how to greater capitalize construction of these units, bring more housing supply online, and help families afford housing. Scharf replied absolutely. Ossoff turned to language access to banking services for prospective homeowners and entrepreneurs and noted that Citi offers the mobile app entirely in Spanish and asked about other opportunities to expand access to banking services for Spanish, Korean, and other non-English speakers. Fraser agreed that making banking services in multiple languages is important and said that the other efforts are on digital programs as well for populations that have not always been comfortable working with traditional banking. She added that working with community partners through webinars or other programs is important as well. Ossoff turned to Moynihan on the vulnerability of certain communities to fraud, mentioning Zelle, and was worried about fraud targeting veterans or new mothers and asked him to commit to following up with Ossoff about steps Bank of America is taking and what they recommend ways to protect against fraud. Moynihan replied yes. Ossoff went back to Scharf on rural bank closures and asked what steps banks can take to sustain the availability of credit in rural communities. Scharf emphasized that the banks are sensitive to this and ensure that no community is left completely without banking services. He discussed physical mobile banking coming to communities as an interesting solution. Ossoff discussed fiduciary obligations to determine credit worthiness and asked how credit worthiness can be assessed without discrimination. Scharf discussed refining FICO scores to look at rent, utility payments, and phone payments which could be used to build credit. Ossoff asked what is working and not working with Dodd Frank. Dimon replied that what worked was

capital liquidity standards and said that regulation has made it difficult to regulate and said that housing, especially mortgages, are within the jurisdiction of too many agencies.

Chairman Brown in his closing remarks, clarified that these banks are well capitalized and thrived in the pandemic due to capital requirements. He added that overdraft practices have only been reformed after years of pressure by Congress. Brown said that big banks continue to show that they will not do the right thing without congressional oversight. He mentioned regulation of fintech and appreciated Demchak's comments that we need to ensure that fintechs and potential ILCs may not do the right thing and fintechs need strong rules too.