

Congress of the United States
House of Representatives

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

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May 7, 2021

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Powell:

The Select Subcommittee on the Coronavirus Crisis is examining the implementation of relief programs established by the Federal Reserve (Fed) in response to the coronavirus pandemic. Early in the crisis, the Fed established two facilities—the Main Street Lending Program and the Municipal Liquidity Facility—designed to provide relief to small and mid-sized businesses and state and local governments respectively. I applaud the Fed’s attempts to assist these entities that were hard-hit by the pandemic, yet I am concerned that these efforts may not have provided assistance as effectively, efficiently, and equitably as they could have. Now that these facilities have expired, I am writing to seek documents and information to better understand the extent to which they reduced unemployment, learn what additional steps the Fed is taking to assess and improve the health of our economy, and determine what lessons from the coronavirus crisis relief programs can inform future relief efforts.

The Main Street Lending Program and Municipal Liquidity Facility were created by the Fed, in coordination with Department of the Treasury, backstopped by funds appropriated by Congress in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹ The small and mid-sized businesses and state and local governments these facilities were intended to assist have suffered greatly due to the pandemic-induced economic crisis.² A recent study found that over 200,000 businesses closed due to the pandemic.³ Nearly 80 percent of small businesses reported a decline in revenue, and nearly 50 percent had to shrink their staff.⁴ State and local governments have also been hit hard, with at least 1.3 million jobs lost over the last eight months

¹ Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, Pub. L. No. 116-136.

² *States Grappling with Hit to Tax Collections*, Center on Budget and Policy Priorities (Nov. 6, 2020) (online at www.cbpp.org/research/state-budget-and-tax/states-grappling-with-hit-to-tax-collections).

³ Federal Reserve Board, *Business Exit During the COVID-19 Pandemic: Non-Traditional Measures in Historical Context* (Apr. 2021) (online at www.federalreserve.gov/econres/feds/files/2020089r1pap.pdf).

⁴ Federal Reserve Banks, *Small Business Credit Survey* (Feb. 3, 2021) (online at www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report).

of 2020 due to significant declines in tax revenue.⁵ The federal government has continued to provide significant assistance to these employers and their employees, most recently through the American Rescue Plan.

The Main Street Lending Program, announced on April 9, 2020, was the Fed's only lending facility intended to directly support small and mid-sized businesses.⁶ Plagued by delays, the Main Street Lending Program did not issue its first loans until July 2020, more than three months after its launch.⁷ By the end of the program, the Fed had issued 1,830 loans totaling only 2.8 percent of available capital.⁸ Given the relatively limited reach of the program, the Select Subcommittee would like to understand the extent to which the Main Street Lending Program was accessible for the businesses who most needed the assistance, what lessons the Fed learned from the program, and what additional programs the Fed may put in place or recommend to support business owners and keep their employees working.

The Fed established the Municipal Liquidity Facility on April 8, 2020, to support lending to state and local governments. Recognizing that aid to state and local governments is critical to economic recovery, you have previously acknowledged that, in the years after the Great Recession, "state and local government layoffs and lack of hiring did weigh on economic growth during that time."⁹ At the end of the program, however, the Municipal Liquidity Facility had loaned only \$6.3 billion of its \$500 billion lending capacity,¹⁰ likely due to the facility's high

⁵ *In Blue States and Red, Pandemic Upends Public Services and Jobs*, New York Times (Dec. 4, 2020) (online at www.nytimes.com/2020/12/04/business/economy/state-local-finances.html).

⁶ Briefing by Staff, Board of Governors of the Federal Reserve System, to Staff, Select Subcommittee on the Coronavirus Crisis (June 30, 2020); *Fed's Lifeline to Main Street Flops with 99.8% of Cash Untapped*, Bloomberg (Sept. 15, 2020) (online at www.bloomberg.com/news/articles/2020-09-15/banks-balk-at-fed-s-600-billion-lifeline-for-main-street-firms).

⁷ The Fed's delay in launching the Main Street Lending Program and Municipal Liquidity Facility lie in stark contrast with the speed in which it implemented the Primary and Secondary Market Corporate Credit Facilities. The Fed launched the Primary and Secondary Corporate Credit Facilities in March 2020, directly purchasing bonds for the first time in its history. The Select Subcommittee found, however, that these facilities lacked taxpayer and worker protections. See Majority Staff, Select Subcommittee on the Coronavirus Crisis, *Prioritizing Wall Street: The Fed's Corporate Bond Purchases During the Coronavirus Pandemic* (Sept. 23, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Staff%20Report%20%289-23-2020%29_FINAL.pdf?fbclid=IwAR2CHjFEeXya0Uo8xHNazGhYgG4PbaT28gdvMtTnB9Kexg8Ir2QMrFtBM30) (finding that the Fed purchased corporate bonds issued by 140 companies that laid off or furloughed more than one million workers).

⁸ Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board Under Section 13(3) of the Federal Reserve Act (PDF), MSNLF Transaction-Specific Disclosures (XLSX)* (Feb. 9, 2021) (online at www.federalreserve.gov/monetarypolicy/mainstreetlending.htm).

⁹ Senate Committee on Banking, Housing, and Urban Affairs, *The Quarterly CARES Act Report to Congress* (May 19, 2020) (online at www.banking.senate.gov/hearings/the-quarterly-cares-act-report-to-congress).

¹⁰ Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board Under Section 13(3) of the Federal Reserve Act (PDF), MLF Transaction-Specific Disclosures (XLSX)* (Feb. 9, 2021) (online at www.federalreserve.gov/monetarypolicy/muni.htm).

interest rates and short repayment period, which may have deterred many jurisdictions.¹¹ The Select Subcommittee continues to examine the extent to which the Municipal Liquidity Facility helped state and local governments.

Although coronavirus infections are fortunately trending downwards, the economic crisis continues to exact a toll on American workers and businesses. For this reason, I seek to better understand the performance of the Fed's pandemic relief programs to determine whether those programs achieved their intended objectives, and whether similar programs may be useful in responding to future crises.

While the American economy is now steadily improving,¹² due in significant part to the American Rescue Plan, many Americans, especially those who were struggling before the pandemic and were hit hardest by the economic crisis, continue to struggle. The economic harm has been particularly devastating to women and minorities. As of early 2021, more than 77 percent of Black-owned business and 79 percent of Asian-owned businesses reported sharply declining financial conditions.¹³ Pandemic-related cuts to state and local government employment have had a disproportionate impact on women and Black workers, who make up a sizable percentage of the nation's state and local government employees.¹⁴ As you have acknowledged, there are deep disparities in the labor market and "unemployment has tended to go up much faster for minorities, and for others who tend to be at the low end of the income spectrum."¹⁵ As the economy improves, these groups are still experiencing unemployment rates nearly double that of white Americans.¹⁶ While the American Rescue Plan includes provisions that are narrowing these gaps and their financial consequences, long-entrenched disparities still persist. The pandemic provides an important opportunity to learn from what worked—and what did not—in providing economic relief effectively, efficiently, and equitably. The Select Subcommittee is committed to exploring why the federal government's pandemic relief efforts did not sufficiently reach these groups, and what the federal government—including the Fed—can do to ensure greater equity in future relief.

To assist the Select Subcommittee, please produce by June 1, 2021, the following documents and information from March 1, 2020, to the present.

¹¹ Center on Budget and Policy Priorities, *State Borrowing No Substitute for Additional Direct Aid to Help States Weather COVID Downturn* (June 29, 2020) (online at www.cbpp.org/research/state-budget-and-tax/stateborrowing-no-substitute-for-additional-direct-aid-to-help-states).

¹² Federal Reserve, *Beige Book – April 14, 2021* (online at www.federalreserve.gov/monetarypolicy/beigebook202104.htm).

¹³ *Id.*

¹⁴ Economic Policy Institute, *Cuts to the State and Local Public Sector Will Disproportionately Harm Women and Black Workers* (July 9, 2020) (online at www.epi.org/blog/cuts-to-the-state-and-local-public-sector-will-disproportionately-harm-women-and-black-workers/).

¹⁵ *Minority Workers Who Lagged in a Boom Are Hit Hard in a Bust*, New York Times (June 6, 2020) (online at www.nytimes.com/2020/06/06/business/economy/jobs-report-minorities.html).

¹⁶ Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey* (Apr. 2, 2021) (online at www.bls.gov/web/empsit/cpsee_e16.htm).

1. All assessments or analyses regarding performance of the Main Street Lending Program and the Municipal Liquidity Facility, including but not limited to:
 - a. all assessments or analyses the Fed collected regarding the impact of the programs;
 - b. all assessments or analyses the Fed has used to determine whether additional economic interventions are necessary; and
 - c. all assessments or analyses the Fed has collected regarding the efficacy of the programs in reaching and aiding women- and minority-owned businesses.
2. All assessments or analysis regarding the impact of the Main Street Lending Program and the Municipal Liquidity Facility. If the Fed lacks specific assessments or analyses, please estimate the impact of each of the programs on job retention nationwide, and describe how you reached that estimate.
3. All reports, presentations, memoranda, or other documents regarding the Fed's assessment of the efficacy or impact of the Main Street Lending Program or the Municipal Liquidity Facility.
4. All reports, presentations, memoranda, or other documents regarding the Fed's assessment of or approach to addressing disparities in the labor market, including racial and gender-based disparities.
5. All assessments or analyses by the Fed regarding the effect on the labor market of the American Rescue Plan or the projected labor market effects of the proposed American Jobs Plan or American Families Plan.

In addition, please provide written responses to the following questions by June 1, 2021:

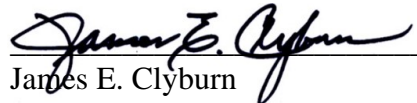
1. Is the Fed working to improve its direct lending capabilities? If so, please explain the steps the Fed is taking to do so and how it plans to measure the success of those efforts.
2. Now that the Main Street Lending Program and the Municipal Liquidity Facility have expired, what is the Fed doing to accomplish its maximum employment mandate? What data is the Fed monitoring to understand challenges in the labor market?
3. Consistent with its maximum employment mandate, is the Fed considering any measures to address employment disparities, including racial or gender-based disparities? If so, please describe the measures under consideration and detail the data the Fed is monitoring to determine whether such measures are necessary.

These requests are consistent with the authorization of the Select Subcommittee on the Coronavirus Crisis “to conduct a full and complete investigation” of “issues related to the

coronavirus crisis,” including the “efficiency, effectiveness, equity, and transparency of the use of taxpayer funds and relief programs to address the coronavirus crisis,” “the economic impact of the coronavirus crisis,” and “any other issues related to the coronavirus crisis.”¹⁷

An attachment to this letter provides additional instructions for responding to the Select Subcommittee’s request. If you have any questions regarding this request, please contact Select Subcommittee staff at (202) 225-4400.

Sincerely,


James E. Clyburn
Chairman

Enclosure

cc: The Honorable Steve Scalise, Ranking Member

¹⁷ H.Res. 8, sec. 4(f), 117th Cong. (2021); H.Res. 935, 116th Cong. (2020).

Responding to Oversight Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.
2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committee.
3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.
4. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.
5. Documents produced in electronic format should be organized, identified, and indexed electronically.
6. Electronic document productions should be prepared according to the following standards:
 - a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - b. Document numbers in the load file should match document Bates numbers and TIF file names.
 - c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - d. All electronic documents produced to the Committee should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.

7. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.
8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committee's letter to which the documents respond.
10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.
11. The pendency of or potential for litigation shall not be a basis to withhold any information.
12. In accordance with 5 U.S.C. § 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.
13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.
14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.
16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.
17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
19. All documents shall be Bates-stamped sequentially and produced sequentially.
20. Two sets of each production shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2105 of the Rayburn House Office Building.
21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic

message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.
4. The term “including” shall be construed broadly to mean “including, but not limited to.”
5. The term “Company” means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.
6. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual’s complete name and title; (b) the individual’s business or personal address and phone number; and (c) any and all known aliases.
7. The term “related to” or “referring or relating to,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.
8. The term “employee” means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.
9. The term “individual” means all natural persons and all persons or entities acting on their behalf.