

Warren to Fed, Treasury: Your New \$1.45 Trillion Dollar Bailout Loan Program for Businesses Fails to Protect Workers, Taxpayers and Economy

United States Senator Elizabeth Warren (D-Mass.) sent two letters to Federal Reserve Chairman Jerome Powell and Treasury Secretary Steve Mnuchin expressing concern with the inadequate oversight provisions of a new \$600 billion loan program to bail out thousands of mid-sized businesses and a new \$850 billion program to bail out large corporations. Both programs use billions of dollars in aid provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. She also called on Chairman Powell and Secretary Mnuchin to include specific requirements for companies that receive bailouts to protect workers, taxpayers, and the economy.

“I am concerned that, in establishing this new program to bail out thousands of medium-sized companies, you did not use your authority to appropriately protect workers and taxpayers, and that you chose not to use a specific provision in the CARES Act that gave you explicit recommendations on how to do so,” the senator wrote in her letter about the Main Street Lending Facility for mid-sized businesses. “Congress provided you with this funding to protect workers, taxpayers, and the economy, and I urge you to reconsider program requirements to make sure that these funds are used for those purposes.”

The CARES Act contained a specific provision directing the Treasury Secretary to implement a program to provide financing

to small and medium-sized businesses, and recommended that this program require participating businesses to take a number of steps to prevent layoffs, end stock buy-backs, end outsourcing, and protect workers.

However, rather than creating a program with these requirements in place, the Federal Reserve and Treasury instead proceeded to use \$75 billion in taxpayer funds to create the Main Street Lending Program with more limited requirements.

“In other words, the Federal Reserve is handing out billions of dollars with little oversight and failing to require basic protections that companies retain workers and maintain payroll, failing to include protections against outsourcing, and failing to retain basic protections for union workers,” the senator continued. “Absent these protections, it is not clear how these bailouts will help American families and workers.”

Senator Warren also sent a separate letter to Chairman Powell and Secretary Mnuchin regarding the Fed’s announcement that it will provide \$850 billion worth of loans to large corporations through the new Primary and Secondary Market Corporate Credit Facilities and the Term Asset-Backed Securities Loan Facility. In this letter, the senator criticized Chairman Powell and Secretary Mnuchin for doing “virtually nothing” to assure that these bailouts help workers, taxpayers, and the economy, and called on them to incorporate the principles she outlined in her March 31, 2020 letter to achieve these goals.

“I am extraordinarily disappointed that you have failed to even put in place basic protections to make sure that this nearly \$1 trillion worth of new loans achieve these goals,” the senator wrote. “You can and must do better for American workers, taxpayers, and the economy.”

To address her concerns about these programs, Senator Warren

asked Chairman Powell and Secretary Mnuchin to include the following for any recipient of bailouts:

- Ironclad workforce retention and restoration protections;
- Protections against outsourcing;
- Protections for collective bargaining agreements and unionized workers;
- Requirements that the loan recipient provide a \$15 minimum wage within one year of receiving a loan;
- Requirements that the CEOs of companies receiving bailout make personal, annual certifications to Treasury and the Federal Reserve that their companies are complying with the rules, ensuring that these CEOs would face civil and criminal penalties for violating these terms;
- Requirements that recipients of funds be held liable to the federal government for all assistance received if they violate any of the terms of their agreements with taxpayers; and
- A ban on political spending or lobbying expenditures for the duration of the assistance for any recipients of bailout funds.
- The senator also asked that they administer the programs in a transparent manner, so that Congress and the public have a clear understanding of the rationale for all actions taken by Treasury and the Federal Reserve, knowledge of all recipients of bailout funds, and a clear explanation of the terms and conditions of all loans or assistance.

Last month, Senator Warren wrote to Chairman Powell and Secretary Mnuchin urging them to use their broad authority under the CARES Act to ensure that bailout funds protect workers and do not reward corporate misbehavior, and to ensure that the funds are protected by strong anti-corruption and transparency rules. The senator had previously written to Secretary Mnuchin urging him to fully meet the needs of state and local governments before using any taxpayer dollars to bail out large companies.